3.1

CITY OF MOUNTAIN VIEW
MEMORANDUM

DATE: April 30, 2004

TO: City Council

FROM: Kevin C. Duggan, City Manager

SUBJECT: MAY 4, 2004 STUDY SESSION—TRANSMITTAL OF NARRATIVE BUDGET REPORT—PART II

The City Council has scheduled a study session for May 4, 2004, to consider additional recommendations associated with the adoption of the City's budget for Fiscal Year 2004-05. The topic that evening will be the recommendations incorporated in the "Narrative Budget Report—Part II." Part I of the Narrative Budget Report was presented to the City Council on March 30 and reviewed General Operating Fund recommendations. Part II primarily covers other portions of the budget, including utility and special funds (Revitalization Authority, Shoreline Regional Park Community, etc.). Recommendations regarding a limited number of General Operating Fund topics that were not presented on March 30 and additional information that was requested by Council will also be reviewed.

In addition to the March 30 and May 4 study sessions, the City Council has, or will have, the following meetings leading to the adoption of next fiscal year's budget:

√ Mid-Year Budget Status Report (February 10)
√ Goal-Setting Workshop (Part I) and Budget Preview (March 2)
√ Community Development Block Grant (CDBG) Initial Public Hearing (March 16)
√ Five-Year Capital Improvement Program Study Session (April 20 and April 27)
√ Community Development Block Grant (CDBG) Second Public Hearing (April 27)

- Goal-Setting (Part II) (May 11)
- Cost Recovery/Fees Study Session (May 18)
- Fiscal Year 2004-05 Goals Adoption/Five-Year Capital Improvement Program Adoption (May 25)
- Budget Public Hearing (June 1 and June 3, if necessary)
- Budget Adoption (June 8)

The major issues in the Narrative Budget Report—Part I were the following:

- The precipitous decline in General Fund revenues over the previous two fiscal years appears to have abated during the current fiscal year (Fiscal Year 2003-04); however, revenues are still not growing.

- This significant decline has required over $10 million of expenditure reductions and the elimination of 50.5 positions over the past two years.

- With General Operating Fund revenues not growing, even "status quo" expenditure increases cannot be met, much less increased services.

- The City is anticipated to lose in excess of $5.7 million during the current fiscal year due to the State transferring away local revenues for State funding to schools (ERAF).

- In excess of $1 million of additional reductions are required in the budget for next fiscal year (in addition to enhanced revenues) to meet operating cost increases.

- These reductions/enhanced revenues will not be sufficient to address proposed further State "take-aways."

- Contingency Levels 1 and 2 reduction scenarios were presented in the event of further State reductions, a further decline in local revenues and/or to provide alternative reductions to those in the recommended "base budget." The Contingency Level 1 strategy contains an additional $844,000 of expenditure reductions as well as an additional $950,000 of revenue enhancements. The Contingency Level 2 strategy includes $1.6 million of additional expenditure reductions and a broad range of potential revenue alternatives. Each additional level of expenditure reductions has an increasingly significant impact on service levels.

The major issues/recommendations included in the Narrative Budget Report—Part II are the following:

Other Funds:

- Revitalization Authority: The Revitalization Authority is in reasonable financial condition and is able to meet its financial obligations, including assisting in funding the California/Bryant Parking Structure. The primary revenue source (property taxes) has seen significant growth due to new development downtown. However, the fund has been negatively impacted by the State's property tax transfer during the current fiscal year and may be negatively impacted by State proposals for next fiscal year.

- Shoreline Regional Park (North Bayshore) Community Fund: This fund has experienced a substantial decline in revenue due to declining property values in the district. However, it is still able to fulfill its obligations, including debt service, capital projects and operating costs.

- Water Enterprise (Utility) Fund: The Water Fund remains in good financial condition, though revenue estimates are not meeting budget for the current fiscal year. In order to address increased wholesale water costs, compensate for lower revenues this fiscal year and begin to provide ongoing maintenance funding for the Graham Reservoir/Playing Field Project, a 5.0 percent rate increase is recommended.

- Wastewater Enterprise (Utility) Fund: As reported in previous years, the Wastewater Fund is still unable to match revenues to annual operating costs (including annual maintenance capital projects). A 9.0 percent rate increase is needed to avoid losing further ground in attempting to reach the goal of matching revenues and expenditures. A cost for service review has just been completed and will be the basis for a major review of the rate structure during the upcoming fiscal year.

- Solid Waste Management (Utility) Fund: The Solid Waste Management Fund is in good financial condition but is being impacted by a proposed 8.95 percent cost increase from Foothill Disposal. A 2.0 percent rate increase is recommended.

Additional General Fund Topics:

- Fire Department Programs: Recommendations regarding the Multi-Family Housing Inspection Program, Fire Prevention staffing, Hazardous Materials Response Program and Fire Department fees have been completed and are outlined in the memo updating General Operating Fund issues. These recommendations would produce expenditure reductions within the range outlined in the Narrative Budget Report—General Operating Fund.

- Shoreline Golf Links: A more detailed review of the Shoreline Golf Links operations (part of the General Fund) is provided.

- One-Time Revenues: Information for major one-time revenues and recommendations for their uses is provided.

- Emergency Response Dispatch Fee: Additional information regarding a potential Emergency Response Dispatch Fee is provided.

Organizational Restructuring/Alternative Service Delivery Models

Attached is a separate memo reviewing the City's continuing organizational restructuring efforts as well as how alternative service delivery models may need to be incorporated in a long-term service delivery plan.

Performance Measures

The nine-month update of the City's Performance Measures/Workload Measures by department is provided.

Staff looks forward to reviewing this information with the City Council on May 4.

Kevin C. Duggan
City Manager

KCD/5/CAM
614-05-04-04M-E^

Attachments

CITY OF MOUNTAIN VIEW
MEMORANDUM

DATE: April 30, 2004

TO: City Council

FROM: Kevin C. Duggan, City Manager

SUBJECT: MAY 4, 2004 STUDY SESSION—NARRATIVE BUDGET REPORT–OTHER FUNDS

The City Council held a study session on March 30, 2004 to consider recommendations associated with adoption of the General Operating Fund budget for Fiscal Year 2004-05. General Operating Fund and other operating fund recommendations are normally combined in a Narrative Budget Report and presented to Council each May. As the issues and challenges facing the City continue to be significant, particularly for the General Operating Fund, the General Operating Fund portion of the budget was brought to Council earlier than usual to provide additional time for its consideration. This report presents the "Other Funds" (other than the General Fund) section of the Narrative Budget Report, including the Revitalization Authority, Shoreline Regional Park Community and the Utility Funds (Water, Wastewater and Solid Waste Management). In addition, expenditures related to other miscellaneous funds are discussed.

Revitalization Authority Fund

The Revitalization Authority (Authority) was established in 1969 in order to spur the renovation of downtown Mountain View. It is a legally separate governmental entity with the City Council acting as the governing board. The Authority has undertaken a number of projects and programs over the years to renovate and redevelop downtown Mountain View. A major redevelopment of the public infrastructure on Castro Street was completed in 1990. This project was a successful endeavor benefiting the community and allowing the downtown area to enhance its role as the focal point of the community. Based upon the redevelopment plan modifications adopted in 1995, required by a change in State law, the Revitalization Authority can no longer issue debt as of January 1, 2004, will cease activities in April 2009 and can no longer accept property tax increments beyond April 2019.

Over the last several years, the financial condition of the Authority has significantly improved. An increase in private redevelopment/construction activity within the Authority's boundaries has resulted in a significant increase in property tax (increment) growth.

In September 2003, debt in the amount of $16.9 million was issued to refinance the 1995 Certificates of Participation (COPs) and finance the construction of the new downtown parking structure. The net proceeds available for the parking structure are $9.0 million; however, only $7.5 million have been appropriated in the capital project. On January 13, 2004, the Council approved 14,000 square feet of retail space for the structure and construction is expected to commence in summer 2005. Revised project costs have been included in reports to the Council and the full $9.0 million is anticipated to be required for the project. Staff is recommending to Council in the Proposed Capital Improvement Program (CIP) budget an amendment to the project for an additional $1.0 million in bond proceeds; the remaining $500,000 is designated for future tenant improvements.

In December 2003, the Revitalization Authority issued an additional $7.0 million of bonds ($6.0 million for low- and moderate-income housing and $1.0 million for future downtown capital needs). A $96,000 project for the replacement of Castro Street trees has been included in the Proposed CIP to be funded from bond proceeds. The bonds were purchased by the Shoreline Regional Park Community Fund and are secured by legally mandated tax increment for low- and moderate-income housing and general tax increment revenues, proportionately.

When the State adopted its budget for this fiscal year in August 2003, it included a shift of property tax increment from redevelopment agencies to the State ERAF (Education Revenue Augmentation Fund) in the amount of $146,000. It is not known if this transfer will continue in future years.

Revenues for the Revitalization Authority for Fiscal Year 2003-04 are estimated at $3.4 million, $355,000 more than the budget of $3.1 million. Property tax increment is $273,000 more than anticipated, primarily from unsecured property tax due to the occupancy of newly developed properties over the past few years. Expenditures for the current fiscal year are estimated at $2.2 million, $323,000 more than the budget of $1.9 million due to costs related to the bond issues during the fiscal year and a higher housing set-aside as a result of estimated property tax revenues being higher than budgeted.

Operating revenues are estimated to exceed operating expenditures by $1.2 million. In addition to the $2.2 million of operating expenditures, as mentioned above, there is a $146,000 payment (ERAF) to the State, bond proceeds of $9.0 million for the parking structure, an additional $7.0 million bond issue ($6.0 million for low- and moderate-income housing and $1.0 million for future downtown capital needs) and capital projects of $7.5 million representing funding for the new parking structure. The fund is estimated to have an ending balance of $2.2 million for the current fiscal year.

There is also a $413,000 outstanding loan from the General Fund that assisted with the $725,000 property purchase at 253-255 Franklin Street and $2.0 million of debt incurred for the purchase of the property located at the corner of California and Bryant Streets. Both are to be repaid with proceeds from the sale of these properties. The "Seed Money" funds, designated to provide incentives for private investment in the downtown area, has a balance of $121,000. Staff will be returning to Council with recommendations for modifications to the Facade Grant Improvement Program to increase financial incentives to property owners and businesses to encourage them to improve their buildings and transfer the balance of seed money to enable further grants to be awarded.

The State-mandated Housing Set-Aside requirement is equal to 20.0 percent of annual property tax revenues in the Authority. These funds are required to be used to provide low- and moderate-income housing. Council has approved the use of $809,000 of set-aside funds for the construction of approximately 125 efficiency studios to be located at the San Antonio Loop, leaving an uncommitted set-aside balance of approximately $2.7 million.

Revenues, expenditures and balance comparisons for the Revitalization Authority Fund follow (amounts in thousands):

	2002-03 Audited	2003-04 Adopted	2003-04 Estimated	2004-05 Recommended
Revenues:				
Property Taxes	$2,552	2,916	3,189	3,054
Investment Earnings	188	160	194	170
Other	1	-0-	48	-0-
Total Revenues	2,741	3,076	3,431	3,224
Expenditures:				
Operating	330	382	454	505
20% Set-Aside	510	583	638	611
Debt Service	724	757	843	1,649
Loan Payment	188	182	292	180
Total Expenditures	1,752	1,904	2,227	2,945
Operating Balance	989	1,172	1,204	279
ERAF	(74)	-0-	(146)	-0-
Loan from Community	1,910	-0-	-0-	-0-
Property Purchase	(1,912)	-0-	-0-	-0-
2003 COPs (Net)	-0-	-0-	9,015	-0-
2004 TABs (Net)	-0-	-0-	6,983	-0-
Capital Projects	(3,048)	-0-	(7,500)	(1,386)
Excess (Deficiency) of Revenues	(2,135)	1,172	9,556	(1,107)
Beginning Balance	3,301	1,166	1,166	10,722
Reserved Bond Proceeds	-0-	-0-	(8,498)	(7,402)
Ending Balance	$1,166	2,338	2,224	2,213
Housing Set-Aside[1]	$2,587	3,247	3,465	3,767
Seed Money Project Balance	$ 121	121	121	121

(1) $809,000 designated for efficiency studio project. Balance in fund in addition to $6.0 million reserved bond proceeds for future low- and moderate-income housing.

The Fiscal Year 2004-05 expenditure recommendations include the following:

- Consulting Services (one-time expenditure): $50,000

  Provides funding for a half-time contract planner to work on downtown projects and implementation of the ordinance requiring additional review of land use changes in the Downtown Precise Plan area.

- Downtown Retail Recruitment Strategy (one-time expenditure): $35,000

  Provides additional funding for consultants to continue the downtown retail recruitment strategy. The downtown retail recruitment strategy began in Fiscal Year 2001-02 and was initially funded with $50,000. In the current fiscal year, an additional $40,000 was approved to continue the efforts of downtown retail recruitment. One of the major goals of this strategy is to attract and diversify retailers in the downtown. During the past 18 months, the consultant has initiated contacts with various downtown property and business owners and assisted with the preparation of marketing materials to promote the downtown to potential real estate brokers and retailers. This funding would continue these efforts for next fiscal year.

- Transfer Economic Development Manager Time from General Operating Fund (.20): $27,000

  Transfers 20 percent of the Economic Development Manger's time from the General Operating Fund to more appropriately reflect the Manager's time allocation.

- Five-Year Plan Update (one-time expenditure): $20,000

  Provides funding to prepare a five-year implementation plan required under California Redevelopment Law and due by May 2005. The plan includes a review of goals and objectives of the Authority, specific programs, including potential projects and estimated expenditures proposed to be made during the next five years in the project area, and an explanation of how these programs have reduced/eliminated blight. The last plan was adopted by the City Council/Authority in May 2000.

- Major Capital Improvements:

  - Additional Funding for the Downtown Parking Structure: $1,000,000 (bond proceeds)

  - Marketing Downtown City-owned Properties: $200,000

  - Castro Street Tree Replacement: $96,000 (bond proceeds)

  - Recruitment for Retail Tenant for Parking Structure: $65,000

Revenues for the upcoming fiscal year are projected to be $3.2 million and expenditures are recommended at $2.9 million. Included in expenditures is $282,000 for the Authority Fund's full allocation of administrative costs provided by the General Operating Fund. There is no provision for an additional property tax shift (ERAF) to the State for next fiscal year. The Governor's proposal currently includes an estimated $156,000 ERAF payment. If an ERAF is adopted by the Legislature, staff will return to Council for an additional appropriation.

Major capital projects include an additional $1.0 million of bond proceeds for the Downtown Parking Structure No. 2. An additional $96,000 is proposed for Castro Street tree replacements and is proposed to be funded from the $1.0 million 2003 Tax Allocation Bonds (TABs) issued for capital needs downtown.

The projected operating balance is $279,000, and the fund is projected to end Fiscal Year 2004-05 with an ending balance of $2.2 million and an additional $7.4 million of reserved bond proceeds.

Shoreline Regional Park (North Bayshore) Community Fund

The Shoreline Regional Park (North Bayshore) Community was created in 1969 for the development and support of the Shoreline Regional Park and the surrounding North Bayshore Area. In recent years, this fund has been in a relatively strong financial position and has had sufficient resources to finance expenditures, including significant capital improvements.

Total estimated revenues for the current fiscal year are $21.2 million compared to budgeted revenues of $22.2 million. Property taxes are trending $1.0 million lower than budget. Although the fund continues to generate substantial property tax increment, unsecured assessed values actually began declining in Fiscal Year 2002-03 and are estimated to be 28.5 percent lower this fiscal year than in Fiscal Year 2001-02. In addition, secured assessed value began declining this fiscal year, and it is estimated that 12.8 percent of value will be lost. The vacancy rate in the North Bayshore Area is approximately 22.0 percent, down from 25.0 percent in Fiscal Year 2002-03. As a result of vacancies and lower rent value, many property owners have successfully appealed the assessed value of their buildings. In addition, over the past two years, in an effort to avoid the workload resulting from a large volume of assessment appeals, the County has proactively reviewed commercial properties and reduced assessed values.

Expenditures are estimated at $13.6 million, $269,000 less than the adopted budget of $13.9 million. The refunding of the 1993 Community Tax Allocation Bonds (TABs) was completed in January, resulting in a total net present savings of $1.9 million. In addition, capital projects were funded in the amount of $13.2 million and the Community purchased the $7.0 million of Tax Allocation Bonds issued by the Revitalization Authority. The fund is estimated to end the current fiscal year with a balance of $27.5 million.

Revenues, expenditures and balance comparisons for the Shoreline Regional Park (North Bayshore) Community Fund follow (amounts in thousands):

	2002-03 Audited	2003-04 Adopted	2003-04 Estimated	2004-05 Recommended
Revenues:				
Property Taxes	$22,028	20,282	19,280	18,522
Investment Earnings	1,946	1,744	1,799	1,244
Capital Project Refunds	504	-0-	-0-	-0-
Other	236	130	153	140
Total Revenues	24,714	22,156	21,232	19,906
Expenditures:				
Operating	5,239	6,827	7,093	6,975
Debt Service	5,097	5,144	4,609	5,342
Loan Payment	1,894	1,894	1,894	1,894
Total Expenditures	12,230	13,865	13,596	14,211
Operating Balance	12,484	8,291	7,636	5,695
Loan to Revitalization	(1,910)	-0-	-0-	-0-
Bonds Purchased	-0-	-0-	(7,000)	-0-
Capital Projects	(4,480)	(13,187)	(13,187)	(9,149)
Excess (Deficiency) of Revenues	6,094	(4,896)	(12,551)	(3,454)
Beginning Balance	33,910	40,004	40,004	27,453
Ending Balance	$40,004	35,108	27,453	23,999

The Fiscal Year 2004-05 expenditure recommendations include the following:

- Funding of Fourth of July Event (one-time expenditure): $75,000

  Provides one-time funding to allow funds to be available one year in advance of the event. Currently, the funds approved each fiscal year are used for the event occurring in that fiscal year, which does not provide sufficient lead time to sponsor the event.

- New Orleans by the Bay: ($30,000)

  Eliminates funding for the New Orleans by the Bay event at the Shoreline Amphitheatre. The event has been discontinued by Clear Channel.

- Business Recruitment (one-time expenditure): $25,000

  Rebudgets one-time funding for a consultant to assist with business recruitment and retention in the North Bayshore Area. The consultant will work with property owners and the brokerage community to market the North Bayshore Area to businesses and corporations. Staff and the consultant will also create and maintain a listing of vacant space available in this area. This vacancy listing would be updated quarterly and distributed to real estate brokers, prospective tenants and incorporated into the City's web site.

- Major Capital Improvements:

  — Recycled Water Distribution System Construction: $7,100,000

  — Stevens Creek Trail, Yuba Drive through El Camino Real: $1,000,000

  — Permanente Creek Pedestrian/Bike Overcrossing at Highway 101, Design: $300,000

Revenues for the upcoming fiscal year are projected to be $19.9 million, $1.3 million lower than the current year estimate of $21.2 million. The County is continuing to proactively reassess commercial property, which is projected to negatively impact revenues to the Community. Information regarding the impact of these reassessments on next fiscal year's tax roll will not be available from the County Assessor's Office until after July 1. In addition, the yield on investments continues to decline as high-yielding securities mature and funds are reinvested at lower current rates.

Recommended expenditures are $14.2 million plus capital projects of $9.1 million. The Community has equipment with an estimated replacement value of approximately $553,000, which is funded by the Equipment Replacement Fund. The contribution for equipment replacement for Fiscal Year 2004-05 is estimated at $51,000. Also included in operating expenditures is $5,400 for contractual cost-of-living increases to third-party vendors and $4.1 million for reimbursement of public safety services provided by the Police and Fire Departments, as well as administrative support provided by the City Manager's Office, City Attorney's Office and Finance and Administrative Services Department. The ending balance of the Shoreline Regional Park (North Bayshore) Community Fund is projected to be $24.0 million for Fiscal Year 2004-05.

There is an outstanding advance from the Community to the Shoreline Golf Links of $5.1 million for the acquisition of the golf course. Staff recommends this advance be eliminated, effectively resulting in the Community funding the asset acquisition as it has for other assets located within the Community. The elimination of the advance does not affect the financial position of the fund presented in this report.

A significant balance in this fund is necessary for future capital projects and to provide for contingencies, including potential environmental mitigation projects associated with the long-term maintenance of the landfills in the Community. There is $24.6 million included in the Proposed Five-Year Capital Improvement Program and a total of $112.7 million of identified capital improvements, including the costs of landfill liabilities, infrastructure improvements and other needs.

Water Enterprise Fund

The Water Enterprise Fund accounts for the revenues and expenditures associated with the provision of retail water service to Mountain View residents and businesses. The City provides water service to 96.0 percent of water customers within the City limits while the California Water Service Company (a private company) provides service to approximately 4.0 percent of water customers in a few previously unincorporated neighborhoods. Water for the City's system is obtained primarily from the San Francisco Water Department (SFWD) through its Hetch-Hetchy system (90.2 percent). Water is also purchased from the Santa Clara Valley Water District (SCVWD) (8.4 percent) and 1.4 percent of water is obtained from City-owned wells during the current fiscal year. The primary costs associated with this service are the purchase of water, staffing to operate and maintain the system, ongoing maintenance and major capital replacement and improvement projects. Charges for service are designed to fully cover ongoing annual costs and a base level of annual capital projects as well as to maintain an adequate reserve.

Effective July 1, an average rate increase of 6.0 percent was implemented for Fiscal Year 2003-04. This rate increase was primarily to offset an increase in wholesale water costs of 25.0 percent from SFWD. Current revenue estimates for Fiscal Year 2003-04 total $16.0 million compared to budgeted revenues of $16.3 million. Water sales are not meeting projections and are lower than budget by $481,000 (partially offset by lower costs of water purchased), while interest earnings are slightly higher than budgeted. Operating expenditures for the current fiscal year are estimated at $12.9 million compared to the budget of $13.6 million primarily as a result of $335,000 savings in water purchases and other salaries and supplies savings. In addition, there are capital project expenditures of $2.1 million. The fund is estimated to end the fiscal year with an ending balance of $3.6 million and a reserve balance of $5.8 million.

On March 23, 2004, the Council adopted the $12.1 million Graham Reservoir project and approved funding of $9.4 million from bond proceeds to be issued by the Water Fund, $1.7 million funded by the Community and $1.0 million contributed by the Mountain View-Whisman School District. The estimated annual debt service cost was incorporated in previous rate adjustments and represents a portion of the estimated excess of revenues for Fiscal Year 2003-04. Staff will be returning to Council this summer for authorization to issue the debt for this project.

Revenues, expenditures, balances and reserve comparisons for the Water Fund follow (amounts in thousands):

	2002-03 Audited	2003-04 Adopted	2003-04 Estimated	2004-05 Recommended
Revenues:				
Investment Earnings	$ 1,124	977	1,024	909
Water Sales	13,281	14,688	14,207	14,918(1)
Other	1,136	655	726	694
Total Revenues	15,541	16,320	15,957	16,521
Expenditures:				
Operating	6,123	6,619	6,269	6,992
Water Purchases	5,463	6,973	6,638	6,849
Total Expenditures	11,586	13,592	12,907	13,841
Operating Balance	3,955	2,728	3,050	2,680
Capital Projects	(3,424)	(2,141)	(2,141)(2)	(3,061)
Excess (Deficiency) of Revenues	531	587	909	(381)
Beginning Balance	7,980	8,511	8,511	9,420
Reserves	(5,357)	(5,811)	(5,812)	(5,848)
Ending Balance	$ 3,154	3,287	3,608	3,191

(1) Based on a recommended average 5.0 percent rate adjustment.

(2) Additional CIP of $9.4 million for Graham Reservoir has been authorized and will be funded by bond proceeds.

The major factors that influence rate setting for the Water Fund are: (1) the cost of wholesale water; (2) water consumption level; (3) annual operating costs; and (4) the level of capital improvements. The cost of water purchases from the SFWD and other water sources (approximately 51.4 percent of ongoing expenditures) has been subject to major fluctuations over the past 10 years and has caused the City's retail water rates to vary significantly.

The San Francisco Public Utilities Commission (SFPUC) has yet to adopt rates for wholesale water costs for next fiscal year. It is expected they will not adopt rates until sometime in May. Our best information resource, the Bay Area Water Supply and Conservation Agency (BAWSCA) (formerly the Bay Area Water Users Association), of which we are a member, is estimating there will be a 2.7 percent increase in wholesale water costs from the SFWD. If the actual rate adopted is different than this, staff will reevaluate the rate recommendation discussed below prior to the adoption of the budget and rates in June.

Water consumption plays a significant factor in the revenues generated by this fund. In the drought of the early 1990s, reduction in water usage was encouraged. Significant rate increases were implemented to fund fixed operating costs spread over a lower number of water units sold. For several years in the late 1990s, water consumption exceeded projections, which allowed for the funding of Water Master Plan projects from existing resources rather than having to issue debt to finance these projects. The current fiscal year (and over the last couple of fiscal years) water sales estimate is not meeting projections, thereby requiring a "catch-up" in revenues in the subsequent year. One way to potentially mitigate the financial impact of fluctuations in water consumption would be to rely more on a fixed revenue stream. A preliminary review indicates the City's charges for meters (fixed costs) are low compared to other agencies. Staff will be reviewing this fee and may be returning to Council to adjust meter fees which would provide more stability to the City's rate structure.

Lastly, annual capital projects of $2.2 million are included in the annual rate calculation. If in any year capital projects are more or less than this amount, the difference is represented by an impact on Water Fund reserves.

For the current fiscal year, a 6.0 percent increase was adopted to offset the 25.0 percent increase in water cost from SFWD. This 6.0 percent was much lower than would otherwise have been necessary because of the philosophy adopted to incrementally increase rates each year in order to stabilize the City's retail water cost to its customers. For Fiscal Year 2004-05, the latest proposal from SFWD in wholesale water costs is

2.7 percent, significantly lower than anticipated. This is primarily a result of a one-time arbitration settlement with the SFPUC.

Although the 2.7 percent wholesale water cost increase from SFWD is significantly lower than anticipated, a 5.0 percent City water rate increase is recommended for several reasons. Five percent (5.0%) is recommended as revenues for the current fiscal year are not meeting budget projections, funding for increased operating costs is necessary and to begin to prepare for the operating costs associated with the Graham Reservoir.

SFWD and SCVWD have projected 12.6 percent and 8.0 percent rate increases, respectively, for Fiscal Year 2005-06. These are preliminary rates and staff will receive updates and review rates prior to rate recommendations for Fiscal Year 2005-06.

The Fiscal Year 2004-05 expenditure recommendations include the following:

- Executive Assistant: ($48,000)

  Eliminates 1.0 Executive Assistant position and reallocates a portion (.40) of the remaining Executive Assistant position from the General Operating Fund. There are currently two Executive Assistant positions—one supports the Public Services Division and is funded from the utility funds; one supports the Public Works functions of the department and is funded from the General Operating Fund. It is recommended that the position funded by the utility funds be eliminated and the remaining position be allocated 40 percent to the utility funds. Day-to-day supervision of office support professionals of Public Services, previously assigned to the Executive Assistant, will be assigned to other managers in Public Services.

- Hardware and Software Maintenance: $44,000

  Provides software maintenance for the GIS mapping system ($18,000) and Hansen Maintenance Management System ($24,000). This is the first year of costs in the operating budget for these systems; previous years were paid from the project budget. An additional $2,000 is to fund increased hardware maintenance costs.

- Transfer Assistant Buyer and Warehouse Worker time from General Operating Fund: $20,000

  Transfers costs associated with the Warehouse Assistant Buyer and Warehouse Worker positions from the General Operating Fund to reflect level of support provided to utilities by these positions.

- Utility Billing Postage: $8,000

  Provides increased funding for postage costs for special utility bill mailing to notice customers of rate increases and reasons for the increases, and provides funding for general increased postage costs.

- Major Capital Improvement Projects:

  — Miscellaneous Water Main/Service Line Replacement: $1,318,000

  — Well No. 23 Construction (Graham): $1,270,000

A 5.0 percent recommended rate increase will increase the average monthly single-family residence water bill by $1.20. Fiscal Year 2004-05 projected revenues with the recommended rate increase are $16.5 million while recommended operating expenditures are $13.8 million (after eliminating the budget effect of depreciation expense). This reflects a projected 2.7 percent increase in wholesale water costs from SFWD and an 8.0 percent increase from SCVWD. If the actual rate increase from SFWD is significantly different than projected, staff will reevaluate the rate recommendation prior to budget and rate adoption in June. Also recommended will be hourly labor rates to be charged for unscheduled work related to damage caused by an outside party.

The balance of revenues over expenditures is recommended to fund $3.1 million of capital projects and the estimated future debt service for the Graham Reservoir. This results in a reserve balance of $5.8 million, and the ending balance is projected to be $3.2 million at the end of Fiscal Year 2004-05.

Wastewater Enterprise Fund

The Wastewater Enterprise Fund is a utility fund that accounts for the costs and revenues associated with the collection, transportation and treatment of liquid wastes generated from all residences and businesses in the City. Other associated functions included in this fund are the Hazardous Materials Permit Program, the Industrial Liquid Waste Management Program and the City's Blended Water Program. Expenditures in this fund include the construction and maintenance of sanitary sewer lines and pump stations, the City's share of costs associated with the operation of the Palo Alto Regional Water Quality Control Plant (PARWQCP) (in which the City is a partner) and personnel costs for the operation and maintenance of the system. This fund is impacted by costs associated with stringent requirements for treatment plant discharges into the San Francisco Bay and fluctuations in water usage. Revenues are partially governed by the amount of water used each year in the City.

In Fiscal Year 2000-01, the loss of two large commercial discharge generators in the City resulted in an imbalance of ongoing revenues and expenditures. Since the revenue base for wastewater service charges is relatively low, each incremental percentage rate increase does not generate the same volume of revenues as compared to the City's other utility services. For the past two fiscal years, 8.0 percent rate increases were adopted to bring the ongoing revenue expenditure balance more in line. However, this did not completely balance revenues and expenditures.

The revenue estimate for the current fiscal year is $10.4 million, slightly below the budget of $10.5 million. Wastewater service revenues and investment earnings are slightly lower than budgeted. Expenditures were originally budgeted, excluding capital projects, at $10.9 million and are currently estimated at $9.8 million. Each fall, an annual reconciliation of the prior fiscal year's actual costs is performed by the PARWQCP, and an adjustment is provided to each agency. As the City's volume of wastewater treatment had declined, a credit received this fiscal year of approximately $763,000 for last fiscal year's wastewater treatment costs has been included in the estimates, thereby reducing the amount owed for this fiscal year.

In addition, there is $2.1 million in annual maintenance capital projects, resulting in total expenditures estimated to exceed revenues by $1.4 million this fiscal year. The fund is estimated to end the fiscal year with an ending balance of $3.5 million and a reserve balance of $8.1 million. The reserve balance is significantly higher than the required policy balance and continues to be drawn upon to fund ongoing annual capital projects which should otherwise be funded in the rates.

Revenues, expenditures, balances and reserve comparisons for the Wastewater Fund follow (amounts in thousands):

	2002–03 Audited	2003-04 Adopted	2003-04 Estimated	2004-05 Recommended
Revenues:				
Hazardous Materials Permits	$ 239	250	240	250
Investment Earnings	763	682	657	584
Wastewater Service	8,557	9,186	9,034	9,847[1]
Blended Water Charges	373	350	417	454
Other	602	69	99	116
Total Revenues	10,534	10,537	10,447	11,251
Expenditures:				
Operating	3,874	4,903	4,552	5,087
Wastewater Treatment	5,181	5,976	5,213[2]	6,368
Total Expenditures	9,055	10,879	9,765	11,455
Operating Balance	1,479	(342)	682	(204)
Capital Projects	(1,955)	(1,778)	(2,054)	(2,596)
Excess (Deficiency) of Revenues	(476)	(2,120)	(1,372)	(2,800)
Beginning Balance	13,506	13,030	13,030	11,658
Reserve	(8,695)	(8,417)	(8,142)	(7,321)
Ending Balance	$ 4,335	2,493	3,516	1,537

(1) Based on a recommended 9.0 percent average rate adjustment.
(2) Includes credit of approximately $763,000, offsetting this fiscal year's expenditures.

The Fiscal Year 2004-05 expenditure recommendations include the following:

- Public Works Department Reorganization: $28,200

  Reallocates manager's time to the appropriate funding sources based on the reorganization of the department.

- Transfer Assistant Buyer and Warehouse Worker time from General Operating Fund: $20,000

  Transfers costs associated with the Warehouse Assistant Buyer and Warehouse Worker positions from the General Operating Fund as appropriate.

- Major Capital Improvement Projects:

  — Miscellaneous Storm/Sanitary Sewer Main Replacement: $1,276,000

  — Recycled Water Distribution System Construction: $1,000,000

The significant imbalance of revenue versus expenditures has been compounded by the slower economy and higher vacancy rates in commercial/industrial properties in the City. In addition, costs continue to rise at the PARWQCP as well as for the City. Staff recommends a minimum rate increase of 9.0 percent for Fiscal Year 2004-05. This rate increase is recommended to bring the operating revenues more in line with operating expenditures, but is still not sufficient to fund a baseline of annual capital projects.

For rate-setting purposes, a $1.5 million base level of annual maintenance capital projects should be assumed. However, current budgeted operating revenues are insufficient to support budgeted operating expenditures. For next fiscal year, staff estimates a 9.0 percent rate increase would be necessary to almost balance ongoing revenues and expenditures, and a 28.0 percent rate increase would be needed to fully fund operating cost and additionally fund a $1.5 million base level of annual CIPs. Currently, capital projects are being funded from available balance and reserves, which are higher than required by policy. Although the recommended 9.0 percent essentially balances ongoing revenues and expenditures, but not annual CIPs, a larger rate increase can be deferred at this time as there are sufficient available and reserve balances in this fund to cover capital project costs for an interim period until rates are further adjusted to cover this expense.

As discussed in prior years, it will be necessary to continue to recommend significant rate increases in future years. Staff estimates that 8.0 percent rate increases for the next four years will be necessary in order to bring the revenue and expenditure balance fully in line and fund a baseline of ongoing annual capital projects ($1.5 million). This will also reduce the reserve balance to approximately $5.0 million, which approximates policy level for this reserve. Alternatively, three years of 11.0 percent rate increases would accomplish the same goal. Staff will be returning to Council next fiscal year to review the potential for the restructuring of wastewater rates and the cost of providing each segment of services.

Based on the 9.0 percent rate increase recommended for Fiscal Year 2004-05, the rate for a single-family residence will increase $1.40 per month to $16.95, still the lowest rate of our neighboring cities. Revenues for next fiscal year are projected at $11.3 million and recommended expenditures are $11.5 million (after eliminating the budget effect of depreciation expense), leaving a negative operating balance of $204,000. In addition, there are capital projects in the amount of $2.6 million, resulting in total expenditures exceeding revenues by $2.8 million. An ending balance of $1.5 million and a reserve balance of $7.3 million are projected at the end of Fiscal Year 2004-05.

Solid Waste Management Enterprise Fund

The Solid Waste Management Enterprise Fund is the utility fund that accounts for the revenues and expenditures for solid waste-related services, including refuse collection and disposal, recycling services, street sweeping and maintenance of two of the City's closed landfill sites.

Refuse generated in the City is transported to the Sunnyvale Materials and Recovery Transfer (SMaRT) Station® (of which we are one of three partners) for removal of recyclables with the remaining refuse transported for final disposal at the Kirby Canyon Landfill in South San Jose. The City provides a variety of services through an outside contractor (Foothill Disposal) for the collection of refuse and recyclables. The City bills and collects all revenues for solid waste services.

A general rate increase of 2.0 percent was adopted for Fiscal Year 2003-04. Current City revenue estimates for Fiscal Year 2003-04 are as adopted in the budget at $8.0 million. Service revenues are slightly lower than budget as the demand for refuse services continues to decrease related to an increase in commercial/industrial recycling and to the slower economy. Offsetting this is higher than budgeted revenues for recycling materials due to the increased volume of recycling.

City expenditures are estimated at $7.7 million, compared to the budget of $8.1 million. The City annually receives a budget and its proportionate share of cost for the SMaRT Station. A reconciliation of the budget to actual costs is performed after each fiscal year. A credit for last fiscal year of approximately $200,000 greater than projected was received this fiscal year.

Operating revenues are projected to exceed operating expenditures by $315,000. At the end of the fiscal year, the fund is estimated to have a reserve balance of $2.4 million and an ending balance of $5.8 million.

Revenues, expenditures, balances and reserve comparisons for the Solid Waste Management Fund follow (amounts in thousands):

	2002-03 Audited	2003-04 Adopted	2003-04 Estimated	2004-05 Recommended
Revenues:				
Investment Earnings	$ 396	333	352	313
Refuse Service Charges	7,435	7,563	7,376	7,487(1)
Sale of Recycled Materials	74	50	166	75
Other	233	94	83	131
City Revenues	8,138	8,040	7,977	8,006
Foothill Revenues(2)	8,305	8,612	8,272	9,012
Total Revenues	16,443	16,652	16,249	17,018
Expenditures:				
Operating	3,426	3,602	3,358	3,310
Disposal and SMaRT® Station Charges	4,724	4,508	4,304	4,724
City Expenditures	8,150	8,110	7,662	8,034
Foothill Payments(2)	8,305	8,612	8,272	9,012
Total Expenditures	16,455	16,722	15,934	17,046
Operating Balance	(12)	(70)	315	(28)
Capital Projects/Outlay	(150)	(1,585)	(1,647)	(109)
Excess (Deficiency) of Revenues	(162)	(1,655)	(1,332)	(137)
Beginning Balance	9,664	9,502	9,502	8,170
Reserves	(2,359)	(2,359)	(2,359)	(2,359)
Ending Balance	$ 7,143	5,488	5,811	5,674

(1) Based on a recommended 2.0 percent rate adjustment.
(2) Neither revenues nor expenditures are adopted for Foothill Disposal Company.

The Fiscal Year 2004-05 expenditure recommendations include the following:

- Public Works Department Reorganization: ($55,600)

  Reallocates manager's time to the appropriate funding sources based on the reorganization of the department.

Although neither revenues nor expenditures are adopted for Foothill Disposal (Foothill), a revenue increase is provided to Foothill per the agreement for collection services between the City and Foothill. Generally, the agreement calls for a Consumer Price Index (CPI) adjustment, with a minimum investment return of 6.0 percent and maximum of 12.0 percent. Due to labor and health cost increases, an increase of 8.95 percent is calculated for Foothill.

In September 2002, a new labor agreement with their drivers was negotiated which provided an increase of 13.2 percent the first year and 4.2 percent the second year. In addition, Foothill is experiencing double-digit health-care cost increases similar to the City and other organizations. The contract allows Foothill to request increases in excess of CPI for these types of events. Staff has reviewed the available information and believes the rate request is reasonable and in compliance with the agreement.

Although revenues are less than budgeted, tonnage and related disposal costs are projected to be slightly lower than budgeted. Prior to the 2.0 percent increase in the current fiscal year, there has been no general rate increase to refuse services in the two prior years. Any increases provided by contract to Foothill have been absorbed by reducing the City's share of refuse revenues. The increases associated with Foothill's expenditures can no longer be absorbed and, therefore, staff is recommending a 2.0 percent rate increase.

This increase is entirely associated with Foothill's increased labor and health care costs. With a 2.0 percent general rate increase, the rate for a 32-gallon can will increase by $0.30 a month. Revenues for Fiscal Year 2004-05 are estimated to total $17.0 million with total expenditures at $17.0 million. Expenditures are recommended to exceed revenues as there is $109,000 in one-time capital projects. The fund is projected to end the 2004-05 fiscal year with a balance of $5.7 million as well as an operating reserve at the policy level of $2.4 million.

<u>Other Miscellaneous Fund Issues</u>

Expenditure issues related to other miscellaneous funds are as follows:

<u>Budget Transition Reserve:</u>

Depending on Council's decisions regarding expenditure recommendations and State budget actions, funds may be necessary to transition certain costs from the General Operating Fund.

<u>Below-Market Housing Fund</u>:

Consolidated Plan for HUD (one-time expenditure): $35,000

Provides funding to prepare the Consolidated Plan. The Consolidated Plan is a comprehensive planning document that identifies the City's overall needs for affordable housing, nonhousing community development activities and outlines a five-year strategy to address the identified needs. The U.S. Department of Housing and Urban Development (HUD) requires Consolidated Plans to be updated every five years in order for cities to remain eligible for CDBG/HOME funds. This update would include 2000 Census data and would cover the years 2005-10. The total cost is estimated to be $45,000, of which $10,000 will be paid from the CDBG/HOME budget.

<u>Cable Fund</u>:

Transfer to the General Operating Fund: $55,000

This increase directly corresponds to an estimated increase in cable franchise revenue, and anything over the amount we pay to KMVT is transferred to the General Operating Fund.

Franchise Renewal Legal Services Costs (one-time expenditure): $40,000

Provides one-time funding for legal services related to the cable franchise renewal.

Two Council Chambers Cameras (Capital): $34,200

Replaces two of the four cameras in the Council Chambers. These cameras are over 13 years old and are beginning to have operating problems. Replacing the cameras before they fail ensures proper coverage of City meetings.

Equipment Maintenance Fund (Fleet Services):

Diesel Fuel: $7,000

Provides funds necessary to change the City's diesel fuel to ultra-low sulfur diesel fuel. This change will be required in 2006; however, the Technology Committee has recommended this change take place as soon as possible.

Particulate Matter Filters (Capital): $30,000

Provides funding for the City to initiate a pilot program to install and monitor the performance of particulate matter filters on high-use, heavy-duty vehicles. The purpose of using these filters is to reduce particulate matter pollution from the diesel fleet. These filters require the use of ultra-low sulfur diesel fuel. This amount will cover the cost to retrofit three to four vehicles in the fleet.

Retirees' Health Fund:

Actuarial Study: $15,000

Provides funds to have the actuarial study updated for the calculation of the liability of this benefit. The last update was completed in 2001.

Conclusion

As previously mentioned, this report constitutes the "Other Funds" section of the Narrative Budget Report. Since the challenges facing the General Operating Fund continue to be significant, the recommendations regarding that fund were brought to Council at a special study session on March 30, 2004.

The Revitalization Authority has seen an increase in its tax increment revenues and has sufficient financial capacity to support the bonds issued for the new parking structure and other future downtown capital needs. The Shoreline Regional Park Community continues to experience high commercial vacancy rates. Property taxes are lower than budgeted for the current fiscal year, and it is projected property tax increment revenue will continue to decline next fiscal year.

The Water Fund has previously generated sufficient revenues to fund significant Water Master Plan projects. Incremental rate increases of the past years have assisted in the funding for estimated annual debt service for Graham Reservoir and moderating City rate increases when wholesale water costs have fluctuated significantly. Staff will be returning in the near future for authorization to issue the debt related to the reservoir project. A 5.0 percent rate increase is recommended for Fiscal Year 2004-05.

The Wastewater Fund requires a 9.0 percent rate increase for Fiscal Year 2004-05 to maintain the existing balance of ongoing revenues against expenditures. This is not sufficient to fund a baseline level of annual capital maintenance projects. A continuation of rate increases in the future will be needed for revenues to fund operating expenditures and capital projects, and a review of the rate structure will be brought to Council next fiscal year.

The Solid Waste Fund has implemented a 2.0 percent rate increase for the current fiscal year. Significant cost increases experienced by Foothill Disposal, has resulted in a recommended rate increase of 2.0 percent for Fiscal Year 2004-05.

The total average increase for all the utilities is 5.4 percent, resulting in an estimated increase for a single-family residence of $2.89 monthly.

Staff looks forward to reviewing these recommendations with you and providing any follow-up information as requested.

Kevin C. Duggan
City Manager

KCD/BUD
614-03-30-04SUF^

CITY OF MOUNTAIN VIEW
MEMORANDUM

DATE: April 30, 2004

TO: City Council

FROM: Kevin C. Duggan, City Manager

SUBJECT: MAY 4, 2004 STUDY SESSION—GENERAL FUND FOLLOW-UP AND ADDITIONAL ITEMS

This report is to provide follow-up information Council requested at the March 30, 2004 study session regarding the General Operating Fund. In addition, the following items will be reviewed with Council:

- Fire Department Program Recommendations.
- Shoreline Golf Links.
- One-Time Revenues.
- Organizational Restructuring.
- Emergency Response Dispatch Fee.
- Performance Measures.

March 30 Study Session Follow-Up

Council requested the additional information listed below:

1. Provide information about the unallocated balances and General Fund reserves identified in the Reserve section of the March 30 Narrative Budget Report.

   Please see Attachment A.

2. Provide a list of the City's unfunded liabilities.

   The term "unfunded liability" refers to a financial obligation or commitment for an event that has already occurred for which there are insufficient assets available to fully fund the liability. It is important to note that unfunded liabilities refer to costs already incurred but not yet paid. Future liabilities yet to be incurred and potential liabilities for events that may, but have not yet occurred, are not considered unfunded liabilities. The only significant unfunded liabilities that are known to staff exist in the City's Public Employees Retirement System (PERS) program and the Retirees Health Plan.

Public Employees Retirement System (PERS) Program

The City and most other member agencies of the PERS system rapidly went from a surplus asset position that reduced the City's retirement contribution rates in the late 1990s to having unfunded liabilities due to PERS investment losses in years subsequent to 1999. The PERS rate is based on a plan's financial position two years prior to the fiscal year the rates are effective. Based on the annual actuarial analyses prepared by PERS actuaries, the City's safety employee retirement plan has gone from a surplus balance of $9.6 million in the actuarial report for Fiscal Year 2001-02 to a current unfunded liability balance of $19.2 million. In the same time period, the miscellaneous employee plan went from a surplus balance of $18.3 million to current unfunded liability balance of $1.7 million. PERS amortizes unfunded liabilities with an additional rate component that is added to the normal rate, thereby increasing the amount the City pays to PERS annually.

Retirees Health Plan

An actuarial study completed in 2001 identified a Retirees Health Plan liability in the amount of $21.0 million. Council has approved allocations from the General Fund over several years and the current balance is approximately $10.0 million. The recommendations for Fiscal Year 2004-05 include an allocation of $3.0 million from the unallocated carryover balance to the Retirees Health Plan to bring the General Fund contributions to $13.0 million, leaving an unfunded General Fund obligation of $4.0 million. The remaining $4.0 million is a liability of other funds. The actuarial position of this plan is recommended to be updated in the coming fiscal year. Staff is also reviewing the financial structure of this program and will report results to the Council.

Fire Department Program Recommendations

At the March 30, 2004 study session, staff identified Fire Department areas requiring additional analysis and study prior to presenting recommendations. These issues are discussed in detail in Attachment B.

Shoreline Golf Links

The Golf Links is a General Fund program tracked and reported separately in order to provide a complete picture of the scope of services, fee structure, capital improvements and financial status. Last fiscal year the Council approved $250,000 for other Recreation Program funding. In the March 30 Narrative Budget Report, staff recommended increasing this amount by $200,000 for a total Recreation Program funding of $450,000. Additional review of the fiscal year activity through March 31 indicates that if play remains at the same level as this fiscal year and the golf course spent the entire appropriations for Fiscal Year 2004-05, the course would incur a deficit of $98,000 (excluding funding for capital projects) but end the fiscal year with a $1.9 million available balance. Attachment C details the revenues, expenditures and balances for the past, current and upcoming fiscal years and discusses the options for Fiscal Year 2004-05 more fully.

One-Time Revenues

Staff has identified two major sources of one-time revenues, $3.2 million of lease revenue from the Efficiency Studios San Antonio Loop site and approximately $948,000 of PERS surplus funds. As the efficiency studios project has received all of its funding, the $3.2 million is no longer at risk of having to be refunded and can now be recognized as revenue by the City. The $3.2 million is recommended to be placed in the Strategic Property Acquisition Reserve. Staff recommends the $948,000 be placed in the PERS Liability Reserve to accumulate funds for the unfunded liability.

Organizational Restructuring

A memo reviewing the City's continuing organizational restructuring efforts is included as Attachment D.

Emergency Response Dispatch Fee

The March 30 report included a discussion of the possibility of assessing an Emergency Response Dispatch fee as a Level 1 Contingency measure. Since that time, many cities in Santa Clara County have joined together to form a working group to explore the idea and share information. Attachment E reviews this topic in more detail.

Performance Measures

The City began development of a performance workload measure program in Fiscal Year 1995-96. For Fiscal Year 2003-04, the measures have evolved into the measures in Attachment F. This is a listing by department with the status of each measure for the third quarter ending March 31, 2004.

Performance measures add an important dimension to evaluating the effectiveness and efficiency of City services and provide managers and the City Council with better information as the basis for their operational and budgetary decisions. Departments will report the final results of this fiscal year in the following fiscal year's budget while continuing to refine the current measures and add new measures where appropriate.

Staff looks forward to reviewing this information with you and providing any additional information you may request.

Kevin C. Duggan
City Manager

KCD/9/CAM
530-05-04-04M^

Index of Attachments

A. Reserves and Unallocated Carryover Balance

B. Fire Department Program Recommendations

C. General Fund: Shoreline Golf Links

D. Organizational Restructuring

E. Emergency Response Dispatch Fee

F. Performance Measures/Workload Measures

Attachment A

CITY OF MOUNTAIN VIEW
MEMORANDUM

DATE: April 30, 2004

TO: City Council

FROM: Robert F. Locke, Finance and Administrative Services Director

SUBJECT: RESERVES AND UNALLOCATED CARRYOVER BALANCES

What is the purpose of the City's reserves, how are the balances determined, what are the plans for use of the unallocated carryover, reserve balances that exceed policy requirements and other General Fund reserves?

The City's reserve structure, an explanation of the purpose of each individual reserve and the balance of each reserve, is discussed in the 'Reserves' section of the Narrative Budget Report–General Operating Fund presented to Council on March 30, 2004 and attached to this memo as Exhibit 1. Most reserves are established pursuant to City Council Policy A-11, Financial and Budgetary Policy, Section 4, Reserve Policies. The Reserves section of this policy is attached to this memo as Exhibit 2.

Reserves are necessary to provide resources for unanticipated events and financial stability. Interest is generated on reserves and other cash balances that contributes significantly to operating income.

Reserves were a major factor noted by Standard & Poor's (S&P) in confirming the City's AAA credit rating last year. The rating report from S&P with their comments regarding the importance of City reserves to the rating is attached as Exhibit 3. Please note the COP rating is AA+ and the City's underlying credit rating is AAA. The report primarily discusses the City's AAA credit characteristics.

<u>**General Fund Reserves and Balances**</u>

General Fund unallocated carryover balance—The current balance is $16.7 million, of which $9.4 million is recommended to be used to finance a portion of the unfunded liabilities for compensated absences, PERS retirement, retirees' health and $454,000 is also recommended for one-time expenditures in next fiscal year's budget. A balance of approximately $7.3 million remains after these recommendations. This unallocated balance will be supplemented by the current fiscal year carryover.

Smaller carryover balances are anticipated in future years as revenues and expenditures become more closely balanced due to the permanent decline in General Operating Fund revenues. Diminished carryover balances will make it increasingly difficult in coming years to finance capital projects, replenish reserves and fund increases in liabilities, such as Workers' Compensation and general liability claims as has been done in the past. Because of this concern and the unknown impacts of State budget actions, allocation of the remaining carryover balance has not been recommended.

<u>Reserve Balances</u>

Operating Contingency—This reserve's policy balance is 5 percent of the Adopted Budget and is used to fund unanticipated expenditures approved by Council during the fiscal year. The policy target of 5 percent is a commonly used rule of thumb for an operating contingency. The current balance is approximately $3.6 million and will be replenished, if required, to meet the policy balance.

General Fund Long-Term Contingency—This reserve has a policy goal of approximately 10 percent of the Adopted Budget. The policy objective of this reserve is that it "be used only in situations of extreme physical or financial emergency and with the approval of the City Council." Because insurance and other financial assistance following disasters (such as FEMA grants) have deductibles or do not cover all costs of repair, this reserve is intended for unreimbursed and other necessary expenditures related to an emergency or natural disaster. The policy balance of 10 percent of expenditures is reasonable in light of FEMA policies and insurance deductibles. The reserve balance is currently $7.3 million, approximately $130,000 in excess of the policy goal.

Budget Transition Reserve—This reserve was established to fund one-time costs related to transitioning operations to a reduced and sustainable level of expenditure that balances with operating revenues. Various types of expenditures are anticipated to be incurred by this reserve, including salary and benefits during the notice period prior to positions being eliminated and costs related to separation such as job counseling and job training. Additional uses of the reserve would include investments in technology and other measures that reduce ongoing operating costs. Reserve expenditures in the current fiscal year, totaling $240,000, are for salaries and benefits of a retiring management employee whose position was eliminated, a Police Records Specialist overhire position and to fund an organization and staffing study in the Fire Department. This reserve is expected to have a balance of approximately $9.3 million at fiscal year-end. Significant financial impacts due to State actions could increase use of the reserve in the coming fiscal year. There is no policy balance established for this reserve.

Several reserves established to fund liabilities have balances in excess of policy requirements. These reserves are funded by transfers from all operating funds with amounts pooled to finance common liabilities. It is difficult to separate the General Fund component of a surplus balance. Excess balances in these reserves serve to reduce future-year transfers from operating funds. Reserve requirements for compensated absences, Workers' Compensation and liability self-insurance are somewhat unpredictable and tend to increase every year. Surplus balances are needed in Workers' Compensation and general liability reserves for unanticipated claims and case settlements.

It is noted the City has unfunded liabilities for retirees' health and PERS retirement costs incurred to date. These two unfunded liabilities far exceed the surplus balances in other liability reserves.

Robert F. Locke
Finance and Administrative Services Director

RFL/8/BUD
533-04-29-04M-E^

Attachments

EXCERPT FROM THE MARCH 30 STUDY SESSION NARRATIVE BUDGET REPORT–GENERAL OPERATING FUND

RESERVES

The City has established reserves for various purposes in the General Fund, Utility Funds and Internal Services Funds. A major factor considered by Standard & Poor's in awarding the City its AAA underlying credit rating was the structure and funding status of reserves. This memo explains the City's reserve structure and attempts to clarify which reserves and amounts are available for use in the coming fiscal years.

Most reserves are established pursuant to City Council Policy A-1, Section 4, Reserve Policies, and others have been added by City Council. Some reserves identified in this policy have been replaced by insurance, Council direction or other reasons that made a reserve fund unnecessary. Active reserves, their purpose and asset (cash) balance are described below. Utility reserves are recorded in the Water, Wastewater and Solid Waste Management funds for emergencies, contingencies/rate stabilization and capital improvements and are not included in this report.

Reserves Structure

Reserves can be classified as those designated for a specific purpose and those created to fund liabilities.

- Reserves designated for specific purposes:
  - Operating Contingency
  - Long-Term Contingency
  - Revenue Stabilization
  - Budget Transition
  - Capital Improvements
  - Strategic Property Acquisition
- Reserves to fund liabilities:
  - Property Management
  - Compensated Absences

- Equipment Replacement
- Workers' Compensation Self-Insurance
- Liability Self-Insurance
- Retiree's Health Plan

Reserves in the first group are designated for a specific purpose and are funded entirely by the General Fund. Those in the second group, with the exception of the Property Management Reserve, receive transfers from multiple operating funds and have current or future liabilities offsetting all or some of the reserve balance. In one case, retiree's health, the liability exceeds the reserve balance.

Reserves are an essential element in maintaining financial stability, meeting long-term objectives and having the ability to respond to emergencies. They are also essential for generating interest income. While some reserves can and should be used to ease the transition to a reduced level of operations, it will be increasingly difficult to accumulate or replace spent balances in the future. Reducing the overall level of reserves and dipping into reserves designated for specific purposes or liability reserves will erode the City's future financial condition by reducing interest income and the ability to react to events requiring financial resources.

City reserves can be used in a variety of ways to assist during tough budget times. While the City has a variety of reserves, only a few of these are legitimate candidates to assist with a General Operating Fund budget challenge. The most likely reserve to be used for this purpose is the General Fund Budget Transition Reserve, which is estimated to end the fiscal year with a balance of approximately $9.3 million. A portion of this reserve will assist with the transition to a smaller organization.

While it is not appropriate to use reserves to backfill a structural imbalance between revenues and expenditures without a strategy to correct the balance in a defined period of time, some strategic use of reserves is recommended. It is recommended to use reserves by the establishment of the PERS Liability reserve. The PERS Liability reserve will allow the City to moderate PERS rate fluctuations for budget purposes. In addition, reserves are recommended to be used in specific cases to temporarily fund positions that may be eliminated.

Fiscal Year 2002-03 Unallocated General Fund Carryover Balance And Reserves

The City's General Operating Fund ended the 2002-03 fiscal year with an operating balance of approximately $6.0 million (this includes the $2.1 million Economic Stabilization Contingency). There was $2.2 million in one-time revenues for a total General Fund carryover of $8.2 million. In addition, there is an accumulated $9.9 million of prior fiscal year balances available, and after consideration of $1.4 million of one-time expenditures and transfers to reserves approved in the Fiscal Year 2003-04 Adopted Budget, there is a remaining unallocated balance of $16.7 million.

The City continues to face financial challenges of a greater magnitude than any time since at least the early 1990s. The greatest challenge may be to absorb any impacts imposed by the State's financial crisis. With the exception of recommending the allocation of $3.0 million to the Retirees Health Reserve, $1.0 million to the Compensated Absence Fund and the establishment of the PERS Liability Reserve with $4.9 million, staff recommends deferring allocation of the remaining carryover balance until the financial issues associated with the State are clarified.

The table below details the Fiscal Year 2002-03 General Fund Operating Balance, carryover, one-time expenditures and budgeted transfers (amounts in thousands):

Prior Year Remaining Unallocated Balance	$ 9,946
Fiscal Year 2002-03 General Fund Operating Balance	5,961*
One-Time Revenues and Expenditure Savings	2,180
Total Fiscal Year 2002-03 General Fund Carryover	8,141
Total Balance	18,087
Fiscal Year 2003-04 Adopted Budget Allocations	(1,417)
Total Unallocated Balance	16,670
Recommended Allocations for Fiscal Year 2004-05	
Retirees Health Reserve	(3,000)
Compensated Absences	(1,000)
PERS Liability Reserve	(4,882)
Remaining Unallocated Balance	$ 7,788

* Includes changes in Assets and Liabilities of $1.3 million.

The table below details the estimated balance and the policy target balance for each reserve fund (amounts in thousands):

	6/30/04 Estimated Balance	Amount Recommended for Allocation	Recommended Balance	Policy/Target Balance
Designated for Specific Purpose:				
Unallocated Balance	$16,670	(8,882)	7,788	N/A
GF Contingency	3,606	-0-	3,606	3,560[1]
GF Long-Term Contingency[2]	7,250	-0-	7,250	7,120[1]
GF Revenue Stabilization	5,696	-0-	5,696	N/A
GF Budget Transition	9,300	-0-	9,300	N/A
GF Capital Improvements	5,541	-0-	5,541	5,000
GF Strategic Property Acquisition	4,575	-0-	4,575	N/A
Subtotal	52,638	(8,882)	43,756	15,680
To Fund Liabilities:				
GF Property Management	1,600	-0-	1,600	N/A
GF Compensated Absences	5,800	1,000	6,800	5,639[3]
GF PERS Liability	-0-	4,882	4,882	N/A
Equipment Replacement[4]	12,270	-0-	12,270	11,029
Workers' Compensation	5,400	-0-	5,400	4,509[5]
Liability Self-Insurance	3,600	-0-	3,600	2,324[5]
Retirees' Health	10,000	3,000	13,000	21,043[5]
Subtotal	38,670	8,882	47,552	44,544
Total	$91,308	-0-	91,308	60,224

[1] The General Fund Contingency and Long-Term Contingency Reserves policy balances are calculated as a percentage of the adopted General Operating Fund budget.

[2] Formerly Named the GF Emergency.

[3] Based on the liability established June 30, 2003.

[4] Funding provided by the General Fund, Enterprise Funds, Shoreline Regional Park Community, CDBG, Parking District, Revitalization Authority and Fleet Maintenance.

[5] Actuarial liability, in addition to reserve for catastrophic claims per policy as applicable.

General Fund Contingency Reserve

The General Fund Contingency Reserve policy balance is 5.0 percent of the General Operating Fund adopted expenditures and is the source for funding necessary, but unanticipated, expenditures during the year. A five vote Council majority is required to transfer funds from this reserve as all transfers constitute a budget amendment. To date, only $10,000 has been transferred from this reserve during the current fiscal year for operating needs. This reserve is slightly higher than the policy balance as the policy balance has been reduced correspondingly with the General Operating Fund budget. The reserve will be replenished from carryover with the annual budget if required to meet policy.

General Fund Long-Term Contingency Reserve

The General Fund Long-Term Contingency Reserve (formerly named the Emergency Reserve) is established in the City's financial policies as a reserve of last resort to use in times of emergencies. This reserve is not intended to be used for normal unanticipated expenditures.

This reserve is estimated to have a higher balance than the required policy level of 10.0 percent of the General Operating Fund adopted expenditures. The policy balance has been reduced, correspondingly with the General Operating Fund budget.

General Fund Revenue Stabilization Reserve

With the adoption of the Fiscal Year 1998-99 budget, the City Council approved the creation of this reserve. The purpose of this reserve is to generate interest earnings as an offset to the loss of operating revenue resulting from BGP's prepayment of "minimum rent" for the Shoreline Amphitheatre. This reserve is used for interfund loans and transactions that generate interest earnings for the General Operating Fund.

General Fund Budget Transition Reserve

In Fiscal Year 2001-02, as the City's declining economic situation was rapidly unfolding, this reserve was created to strategically position the City to adjust to anticipated lower revenues. The City has entered a period of significantly reduced revenues and retrenchment, and greater resources are needed to transition certain City services. With the adoption of the Fiscal Year 2003-04 budget, expenditures in the amount of $240,000 related to budget transition were funded from this reserve. Depending on the magnitude of reductions needed for the upcoming fiscal year, this reserve may be used to transition filled positions being eliminated.

General Fund Capital Improvements Reserve

The City has had a long-term policy to reserve a minimum of $5.0 million for unspecified capital improvement projects in the General Fund Capital Improvement Reserve. This provides flexibility in the City's planning for capital projects, serves as a contingency fund for capital projects, generates ongoing investment earnings and also serves as an emergency pool of funds for unanticipated maintenance costs for City facilities.

This reserve is estimated to end the fiscal year with a balance of approximately $5.5 million. The proposed Capital Improvement Program does not includes any new funding for this reserve.

General Fund Strategic Property Acquisition Reserve

This reserve was created in Fiscal Year 2000-01 for the purpose of setting aside specific funds for the City to use for the acquisition of strategic property(ies). The proceeds from the sales of City-owned property have been placed in this reserve. There is also the loan outstanding to the Revitalization Authority in the amount of $413,000 for the purchase of the Franklin Street property which will be repaid to this fund once the property is sold. At the end of this fiscal year, the reserve is estimated to have a balance of $4.6 million, not including the outstanding loan.

General Fund Property Management Reserve

This reserve was established to provide a source of funds for landlord obligations that could arise from the lease of City property in the North Bayshore Area. These obligations could include environmental testing, certain responsibilities identified in land leases or other costs normally incurred by a lessor. At this time, the $1.6 million balance is believed to be sufficient for these obligations.

General Fund Compensated Absences Reserve

The Compensated Absences Reserve funds the City's liability for the accrued vacation, comp time and sick leave obligations of employees in all funds except the Enterprise and Internal Service Funds. The liabilities of the Enterprise and Internal Service Funds are recorded in those respective funds as required by governmental accounting standards. This reserve is drawn down for leave payoffs to terminating and retiring employees (for accumulated vacation and sick leave if applicable) and current employee vacation cash-out provisions (in MOUs) during the fiscal year. The leave liability is recalculated each fiscal year with the close of the City's financial records.

During Fiscal Year 2002-03, $1.0 million was drawn from this reserve to pay employee compensated absences. To date this fiscal year, $440,000 has been drawn from this reserve. Currently, the estimated reserve balance of $5.8 million is greater than the calculated liability of $5.6 million. However, it is anticipated the liability will increase and the balance will be drawn down prior to the end of next fiscal year. Therefore, staff is recommending $1.0 million be funded from the unallocated balance to ensure this reserve does not fall below the liability during the upcoming fiscal year.

<u>Public Employees Retirement System (PERS) Liability Reserve</u>

Staff is recommending the creation of this new reserve, PERS Liability, to mitigate the City's rising retirement costs due to prior year PERS investment portfolio losses. Over the past several years, the City has benefited from PERS investments achieving significantly higher returns than the 8.25 percent average return assumed in actuarial calculations. These investment returns resulted in the City being overfunded from an actuarial standpoint.

A result of the overfunding or surplus balance was the City's contribution rates for employees were reduced to below "normal cost." Normal cost is the rate the City is required to fund for the retirement benefit earned by employees each year based on achieving the assumptions in the actuarial calculation. PERS also uses a technique called "smoothing" to mitigate the fluctuations of rates over time. If there is a significant benefit change or a significant investment gain or loss when compared to actuarial assumptions, these gains or losses are amortized over a period of 10 to 20 years, thereby smoothing the effects such changes could have on annual rates.

When PERS investment surpluses began to lower retirement rates, the City established a policy of budgeting normal cost in an attempt to avoid significant swings in the budget due to temporary changes in PERS rates. During the fiscal years between 2000 and 2003, the actual amounts paid to PERS were less than the City's normal costs. The difference between the normal cost and the actual costs were considered one-time savings and has made up a portion of the General Operating Fund Carryover each fiscal year since 2000.

Staff recommends the amount that has accumulated from these PERS savings be set aside as a PERS Liability Reserve and used to fund PERS payments that exceed normal costs. The cumulative PERS surplus for Fiscal Year 1999-2000 through Fiscal Year 2002-03 totals $4.9 million for the General Operating Fund. This amount will increase in the current year, after which the surplus is exhausted and full PERS payments will begin. It is recommended this reserve be established from the PERS savings component of the current unallocated balance of $16.7 million. These savings pertain only to the miscellaneous group (nonsafety) employee retirement plan. The PERS savings of $1.9 million pertaining to the safety group was eliminated when the enhanced retirement benefit of 3 percent @ 50 was granted and the proposed balance of the reserve is insufficient to fund safety retirement expenses that exceed normal cost.

Over the last few years, the investment returns of the PERS portfolio have been significantly below the 8.25 percent assumed actuarial rate. This has had the opposite affect and has resulted in amortized losses. These losses have caused the actual rates to rise and for Fiscal Year 2004-05 will be excess of the normal costs for the first time in several years. Therefore, it is also recommended the costs for nonsafety employees be paid from the PERS Liability Reserve. See additional information regarding this reserve in Attachment E.

Equipment Replacement Reserve

The Equipment Replacement Reserve is designed to stabilize the annual funding needed for the replacement of certain City equipment. Level annual contributions are received from various funds and the reserve absorbs the large fluctuations in annual expenditures for equipment replacement. The estimated balance of $12.3 million exceeds the target balance of $11.0 million and provides a contingency to cover the differences between estimated and actual replacement costs. As the reserve exceeds the policy level, to assist with balancing the General Operating Fund budget over the last few fiscal years, the General Operating Fund's contribution was reduced approximately $1.0 million. The current fiscal year contribution is recommended at $400,000.

Workers' Compensation Self-Insurance Reserve

The Workers' Compensation Fund was established to account for the City's self-insured obligations for Workers' Compensation liabilities to injured City employees. This program continues to be cost-effective in comparison to purchasing insurance.

The required balance of this reserve is based on projected liabilities as determined by an actuarial evaluation conducted at least once every three years. In addition, the reserve includes funding in the amount of $1.0 million for two catastrophic claims at the City's current level of self-insured retention. The accrued liability is reviewed on an annual basis with the audit of the City's financial statements. The reserve has an estimated balance of $5.4 million and the estimated liability is $4.5 million. The funds in excess of the liability provide additional protection for the City's exposure for Workers' Compensation.

Liability Self-Insurance Reserve

The City self-insures for the first $1.0 million of liability exposure per occurrence. This is an increase from last year's $500,000 limit. The policy level of this reserve is $2.3 million, $2.0 million for the self-insured exposure to catastrophic incidents and $324,000 to fund estimated incurred claims. Ongoing annual expenses for small claims are funded in the operating budget each fiscal year. This reserve has an estimated balance of $3.6 million which is higher than the $2.3 million policy balance. No action to reduce the balance of this reserve is recommended at this time in order to provide a cushion against potential liability costs increases.

Retirees' Health Reserve

The City provides post-employment health care benefits by contributing all or a percentage of the premium cost for its retired employees. The current fiscal year premium cost for all funds is approximately $942,000.

The cost for employees who will retire in the future and those already retired represents an outstanding liability to the City. Although recognition of this liability is not currently required by governmental accounting standards (it is required for private industry), it would be financially prudent to fund the actuarial cost of the Retirees' Health obligation. Based on the guidelines required of private industry, the estimated liability calculated in the 2001 study is approximately $21.0 million. Over several years, the General Fund has allocated $10.0 million to this reserve. It is recommended the actuarial position of this benefit be updated during the next fiscal year.

For the past two fiscal years, to assist in balancing the budget, the General Operating Fund annual premium cost for retirees was being funded by the interest earnings generated by this reserve. However, as interest rates have declined and health premiums continue to rise, the annual investment earnings on the reserve balance are insufficient to fund the annual General Operating Fund's obligation. Therefore, it is recommended approximately $300,000 of the funding be added back to the General Operating Fund to preserve the principal balance of this reserve. An additional $3.0 million is recommended to be allocated to this reserve from the unallocated balance to both: (1) provide increased investment earnings to assist in offsetting General Operating Fund costs; and (2) to supplement the reserve to incrementally reach the actuarial liability level.

Reserve Recommendations

Staff has performed a preliminary review of reserve levels and included funding recommendations for specific reserve requirements. Staff recommends the establishment of the PERS reserve and supplementing of the Retirees Health and Compensated Absences Reserves from the unallocated carryover balance. These recommendations will keep reserves to the appropriate policy/target levels.

RFL/8/BUD
533-04-29-04A^

CITY COUNCIL POLICY NO. A-11

FINANCIAL AND BUDGETARY (GENERAL FUND RESERVES ONLY) POLICY— (EXCERPT OF RESERVE SECTION)

4. <u>Reserve Policies</u>

   a. The General Fund Emergency Reserve, with a level goal to be equal to approximately 10 percent of the general fund operating budget, will be used only in situations of extreme physical or financial emergency and with the approval of the City Council.

   b. The General Fund Contingency Reserve, with a level goal to be equal to approximately 5 percent of the general operating budget, will be used for City Council approved expenditures not appropriated during the annual budget process and/or to cover unanticipated revenue shortfalls.

   c. The Capital Improvement Projects Reserve, with a level goal of a minimum of $5,000,000, will be used for the funding of capital improvement projects authorized by the City Council. To the extent possible, General Operating Fund carryovers remaining from the end of the fiscal year, not designated for other reserve purposes, may be applied to this Reserve.

   d. The Open Space Acquisition Reserve shall be used for the purpose of acquiring open space authorized by the City Council. Proceeds from excess City-owned properties shall fund this Reserve as directed by City Council.

   e. The Revenue Stabilization Reserve shall be established as a means of compensating for revenue fluctuations through increased interest earnings. The initial balance of this Reserve shall be $6.4 million and may be supplemented from time to time by Council. This Reserve may be used as a funding source for interfund loans and other loans or advances from the General Fund as approved by Council. Such loans and advances should accrue interest earnings for the General Fund and include principal repayment to the extent possible.

   f. The Compensated Absences Reserve shall fund the disbursements of terminated or retired employees for accrued vacation and sick-leave. This Reserve shall be funded in an amount sufficient to fund the accrued liabilities of the City for compensated absences such as vacation and vested sick leave.

g. The Equipment Replacement Reserve shall be maintained for the replacement of capital equipment. The financial objectives of this fund is to permit the budgeting of level annual amounts for capital equipment replacement while utilizing this fund's reserves to absorb the cash flow variations caused by the timing of asset replacements. Appropriations for this fund will be requested in the annual budget. It is policy direction that capital assets not be replaced before the end of their useful life unless justified by operating necessity.

h. The Workers' Compensation Reserve shall be maintained at a level deemed adequate to meet projected liabilities as determined by an actuarial evaluation to be conducted at least once every three years. In addition to projected liabilities, the reserve balance shall include provision for two catastrophic losses at the City's current level of self-insured retention.

i. The Liability Self-Insurance Reserve shall be maintained at a minimum level of $2 million plus an amount deemed appropriate to cover expected claim settlements for the current year.

j. The Unemployment Self-Insurance Reserve will be reviewed annually and maintained at a level adequate to meet estimated unemployment liabilities.

k. The Employee Benefits Plan (Prescription/Vision) Reserve will be reviewed annually and maintained at a level adequate to meet estimated benefit liabilities.

l. The Retirees' Health Plan Reserve will be reviewed annually with a funding goal to achieve and maintain a level adequate to meet projected liabilities as determined by an actuarial evaluation to be conducted periodically.

RFL/8/BUD/533-04-29-04A-E^

Exhibit 3

Research:

Print ready LIVE HELP

Summary: Mountain View, CA; Appropriation, Appropriation

Publication date:	19-Aug-2003
Credit Analyst:	Robert Williams, San Francisco 415-371-5070; Kelly McGary, San Francisco (1) 415-371-5083

Credit Profile

$17.165 mil 2003 rfdg certs of part (Rfdg And Cap Projects) dtd 08/28/2003 due 02/01/2019	AA+
Sale date: 28-AUG-2003	
AFFIRMED	
Mountain View ICR	AAA
$10.720 mil. Mountain View certs of part (City Hall/Comnty Theatre Complex Refincg) ser 2001 dtd 07/01/2001 due 08/01/2002-2015	AAA/AA+(SPUR)
OUTLOOK:	STABLE

Rationale

The 'AA+' rating on Mountain View, Calif.'s certificates of participation (COPs) reflects:

- The city's very strong credit characteristics;
- Pledged lease payments subject to annual appropriation; and
- The district's covenant to budget and appropriate lease payments.

The COPs are secured by lease rental payments made by the city on its police and fire department headquarters in downtown Mountain View via an asset transfer lease. The proceeds will be used to decease the city's outstanding 1995 certificates with approximately $9.0 million in additional funds to be used to construct a new downtown parking structure.

The leased asset consists of the 44,512 square-foot, two-story structure located on a 4.29-acre site in downtown Mountain View, which is valued at approximately $21.0 million. Lease payments will be supported by an agreement with the city redevelopment agency's downtown project area as well as by revenues from the parking structure when completed. Should these revenues not be sufficient to make lease payments, however, the certificates are backed by the city's pledge and covenant to appropriate lease payments. The leases are subject to abatement due to damage or destruction, though the city has covenanted to retain rental interruption insurance in an amount sufficient to make lease payments for two years of maximum debt service.

The city's very strong general credit characteristics include:

- A solid local tax base that continues to grow, despite a relative economic downturn.

with full participation in the Silicon Valley economy;
- Very strong financial operations, written policies, and reserves to offset potential fluctuations in operational revenues; and
- A low debt burden as a percent of market value.

The city, about 12 square miles with a population of 71,610, is located 36 miles southeast of San Francisco. It has high wealth levels, with per capita income at 176% of the nation and 173% of the state. The city's employment base is principally focused on high-technology R&D and manufacturing. Market value is very high at $152,200 per capita and has been rising despite the recent economic downturn.

The city has a track record of strong financial operations. Its sound financial policies are designed to manage potential fluctuations in sales and make use of tax revenues, which are among the city's primary revenue sources and which are subject to fluctuations in its predominantly high-tech economic base.

Following surpluses for the prior three fiscal years, during fiscal 2002 the city reported a drawdown of $4.7 million on very strong general fund balances as the city adjusted to a decline in sales and use tax revenues. On a preliminary basis, after budget adjustments and reductions during the year, a surplus of $2.9 million is projected for 2003, which, after transfers, will bring general fund balances up to $82.4 million, or a very strong 125% of expenditures.

In 2003, the city received about 29% of its general fund revenues from sales taxes and a rising amount, 25%, from property taxes, compared to sales taxes representing as much as 42% of total revenues in fiscal 2000 due primarily to business sales. Reserve policies include the goal of an emergency reserve of about 10% of budget and a contingency reserve of 5%, plus a budget transition reserve put in place during fiscal 2002 of $9.5 million that allows the city to adjust to changing patterns in its revenues, particularly sales taxes.

The debt burden, which includes overlapping jurisdictions, for Mountain View is low as a percent of market value at 1.7% and only $2,600 per capita. The city has no current plans for general obligation or lease-funded debt.

↑ back to top

Outlook

The stable outlook reflects the expectation that the city's strong financial policies and reserves, along with continued expansion of the property tax and non-business sales tax base, will continue to provide very strong credit support during a recessionary period in the city's primarily high-tech economy.

↑ back to top

Economy

below state and national averages and in 2000 was only 1.3%, though it has risen to an estimated 5.9% in 2003. Still, the city retains high wealth indicators and high per capita market values. Though business sales have decreased within the city boundaries, per capita retail sales remain strong and continue to increase as a portion of the city's sales tax revenues. Leading sales tax generators in 2003 included, in order, Allison BMW, Costco, Wal-Mart, Veritas Software, and Target.

Mountain View's AV has continued to increase, though somewhat slower in 2003, up 3.9% from the prior year to just over $11.3 billion, due primarily to decreases in the valuation of unsecured business property. Since 1991, total AV has increased at an annual rate of 6.1%, with rates exceeding 10% during the last five years. Commercial valuations, however, have been under some pressure during the current economic downturn, as vacancy rates have approached 25% citywide. Residential and commercial redevelopment in the city's downtown core, driven in part by city investment through tax increment economic development and general capital improvement dollars, have continued to support AV increases overall. The 10 largest taxpayers account for 17% of the total and include Legacy Partners (a commercial landlord), Hewlett Packard, Silicon Graphics, and Alza Corp.

↑ back to top

Attachment B

CITY OF MOUNTAIN VIEW
MEMORANDUM

DATE: April 30, 2004

TO: Kevin C. Duggan, City Manager

FROM: Nadine P. Levin, Assistant City Manager
Marc A. Revere, Fire Chief

SUBJECT: FIRE DEPARTMENT PROGRAM RECOMMENDATIONS

INTRODUCTION

The Narrative Budget Report presented to City Council on March 30, 2004 identified three Fire Department budget issues that required additional analysis and study prior to presenting a specific recommendation. These issues were presented in the Narrative Budget Report with a range of possible General Fund savings, depending on a final recommendation. A fourth matter referenced in the fee study report, also presented on March 30, is Fire Department fees that were included in the cost-of-service study.

Attached to this memo are four separate reports that provide a comprehensive review of each issue and staff's recommendation, along with alternatives. In developing staff's recommendation, an analytical process was followed as outlined below:

- Review of staff's recommendations made during last year's budget process.

- Review of an independent study performed by an outside contractor on two of the three issues.

- Assessment of the City's current needs in light of last year's recommendations and the independent review.

- Consideration of input received from employee organizations.

An overview of each of the four issues is presented in the remainder of this memo with more detailed review contained in separate reports included with this memo.

Hazardous Material Response Program (Exhibit 1)

The City's Hazardous Emergency Action Team (HEAT) was established in 1987 in recognition of the potential threat to the community and Firefighters from chemicals stored and used by companies in the City. HEAT has been an important asset to the City's fire protection services, and in the 1980s and early 1990s, it played a significant role in the mitigation of hazardous material events in the City. Staff believes the conditions impacting the storage and use of hazardous materials have changed significantly since the program's inception. Hazardous materials regulation at a local, State and Federal level have become more stringent, which has resulted in fewer incidents. The City now has a significantly lower number of facilities that are large consumers of highly toxic chemicals.

In reviewing HEAT statistics over a six-year period, there is a noticeable decline in the number of hazardous material incidents. Additionally, there have been few, if any, incidents in recent years that could not have been handled appropriately by responding Fire Suppression personnel without support from the HEAT team. A viable alternative for hazardous materials response is mutual aid from the Santa Clara County Fire Department.

With changes in regulations, increased enforcement, a steep decline in numbers of facilities with hazardous materials and the existence of mutual aid, there is less justification for the City to maintain a Hazardous Materials Response Team (and the associated costs). Staff is proposing that the City transition from maintaining a separate Hazardous Materials Response Team to the use of mutual aid with the Santa Clara County Fire Department for the infrequent instances when such services are required. The recommended action would represent an eventual General Fund savings in the range of $142,600 to $166,200 annually. The actual savings will depend on the period of time over which the program is transitioned.

Alternatives to this recommendation are also reviewed in the attached report.

Fire Prevention Services (Exhibit 2)

During the Fiscal Year 2003-04 budget adoption process, staff proposed the elimination of one Deputy Fire Marshal position. The Council took no action on the recommendation at that time and directed staff to evaluate alternatives for maximizing the efficiency and effectiveness of fire prevention services and report back to the Council during the Fiscal Year 2004-05 budget process. Matrix Consulting Group was retained to assist staff in the analysis. The Matrix study recommended that one of two Deputy Fire

Marshal positions be eliminated by transferring responsibility for fire safety inspection of common areas of multi-family dwellings to the Fire Department's Fire Suppression Division.

Staff carefully considered the Matrix study recommendations and proposes an alternative recommendation for Council consideration, which includes some, but not all, of the study's recommendations. The alternative proposal is to reclassify one Deputy Fire Marshal position to a civilian position and reduce funding for overtime expenses associated with these inspections and to increase fees for fire safety inspections to capture the cost of conducting inspections. This proposal would result in approximately $93,000 in annual cost savings/additional revenue to the General Fund and maintain an appropriate level of service.

Multi-Family Housing Inspection Program (Exhibit 3)

The City's current Multi-Family Housing Inspection Program was implemented by the City in the mid 1970s to address concerns regarding a number of rental complexes in the community that were not being properly maintained and that pose serious health and safety issues for the residents of the complexes. This program is not mandated by State or Federal regulations and is purely at the option of the City. Under the current program, the City's two Housing Inspectors proactively inspect inside individual rental units for compliance with basic building and housing requirements on a three- to eight-year cycle (depending on the quantity and type of violations found during previous inspections). The fees are currently set on a tiered basis determined by the seriousness of previous code violations.

Staff is recommending a restructuring of the program in recognition of the improvements in the condition of rental units since the inception of the program. The recommendation is to move from a cyclical housing inspection program to inspections being conducted on a complaint and referral basis. One Inspector can implement this type of program, and staff is recommending the elimination of one of the two Housing Inspector positions. An additional recommendation to implement a "per unit" inspection fee to replace the existing tiered fee structure in combination with the program restructuring will still require a small General Fund subsidy of $13,000. This subsidy is necessitated by the exclusion of hotels and motels which are inspected, but not currently charged a fee. The recommended program and fee changes would result in an approximate $140,000 in annual cost savings/revenue to the General Fund.

<u>Fire Inspection Fees</u> (Exhibit 4)

The Fire Department currently has four types of fees for service:

- Fire and safety permits.
- Special events.
- Hazardous materials fire permits (Wastewater Fund).
- Multi-family housing inspection.

These fees were included in the cost-of-service study that was performed by Maximus, a contractor that has a great deal of experience in performing fee studies. The results of the study were presented to the City Council on March 30, 2004, with the exception of the fire fees. Exhibit 4 discusses the purpose of each fee, the assumptions made in the study, the current General Fund subsidy (or in the case of the hazardous materials fee, the Wastewater Fund subsidy) and presents a preliminary recommended fee change. The recommended fee changes are presented in two ways: assuming status quo staffing/budget and with the impact of the recommended changes in the Fire Prevention Division and the Multi-Family Inspection Program.

In addition to the recommended fee changes, staff is recommending that the multi-family housing inspection fee transition to a flat rate versus the current tiered structure. Staff has experienced difficulty in administering the tiered structure since there is a subjective factor in determining the degree of violation. Moving to a flat fee will provide a financial savings for approximately 60 percent of the participants in the program and an increased cost to the remainder of the property owners.

Exhibit 4 presents information on a new fee for conducting the multi-family common area inspections (conducted by the Fire Prevention Bureau). Staff has concluded that even though the fee would eliminate a significant General Fund subsidy, it is not recommended at this time due to the financial impact on the same property owners who are paying the multi-family housing inspection fee.

Nadine P. Levin
Assistant City Manager

Marc A. Revere
Fire Chief

NPL/MAR/LS/9/BUD
679-04-26-04M^

Attachments

Exhibit 1

SUBJECT: HAZARDOUS MATERIALS RESPONSE PROGRAM

RECOMMENDATION

Transition to the use of mutual aid with the Santa Clara County Fire Department for responses to major hazardous materials incidents in lieu of operating a separate Hazardous Materials Response Unit.

Implementation of this recommendation will require "meeting and conferring" with the International Association of Fire Fighters (IAFF) Local 1965.

FISCAL IMPACT

Transitioning to the use of mutual aid with the Santa Clara County for responses to major hazardous materials incidents in lieu of operating a separate City Hazardous Materials Response Unit will result in an eventual annual savings of $142,600 to $166,200 to the City's General Fund. Actual annual cost savings will depend on the period of time over which the program is transitioned.

BACKGROUND AND ANALYSIS

Establishment of HEAT Team

Prior to the hazardous materials storage ordinances, permitting and quantity regulations that are in effect today and the trend away from manufacturing in the City, the Mountain View City Council recognized the potential threat to the community and Firefighters from the quantities and hazards of chemicals stored and used by high-tech companies in the City. In July 1987, the City Council approved and funded the Hazardous Emergency Action Team (HEAT). For more than 16 years, the HEAT Team has effectively and competently filled the role for which they were created. In the late 1980s and early 1990s, the Team was important in the mitigation of hazardous material events in the City.

The Team members were also instrumental in the selection, design, modification and equipping of the department's current hazardous materials vehicle. The Team's creativity and resourcefulness allowed them to transform a used beverage delivery truck into a functional hazardous materials response vehicle for much less than what a new vehicle would have cost. The members of the Team are highly respected both within their own department and outside as knowledgeable, professional and competent hazardous materials responders.

In 1988, the City's HEAT Team became an available resource in the Santa Clara County Mutual Aid Plan for hazardous materials incident response. Team members have been and still are leaders in the County hazardous materials fire community as they participated in and served as the Chair of the County Fire Chiefs Hazardous Materials Response Section, as lead trainers at many County-wide hazardous materials training sessions including several Joint Fire Training Academies. Two members of the Team are certified California Specialized Training Institute Hazardous Materials Instructors. Several times in the past, the Mountain View Fire Department HEAT Team has hosted 40- and 80-hour modules of the Hazardous Materials Technician and Specialist series.

Current HEAT Team Operations

The Fire Department's current hazardous materials response capability, through its HEAT Program, consists of 15 Hazardous Materials Team Technicians who are required to complete four weeks of initial training, supplemented by 24 hours of additional annual training. Nine of the 15 Technicians are designated primary responders and receive a 5 percent pay differential. The six remaining Technicians are designated as back-up responders and receive a 2.5 percent pay differential.

The Team operates the Hazardous Emergency Action Team (HEAT) vehicle housed at Fire Station 5. The HEAT vehicle contains an inventory of specialized protective clothing, meters, and analytical devices and control equipment for handling hazardous materials emergencies.

In the event of a hazardous materials emergency, the HEAT vehicle is dispatched with the responding engine company. The decision to dispatch the HEAT vehicle is made by the on-duty Battalion Chief.

The Department does not currently backfill hazardous materials positions. However, on any given day, there are usually three or four qualified Technicians working on each shift.

Since the Program's inception in 1988, hazardous materials regulations at the local, State and Federal level have become increasingly stringent and more consistently enforced, resulting in fewer incidents involving hazardous materials in both transportation and fixed facilities. Additionally, a significant number of facilities using large quantities and/or highly toxic chemicals have closed or moved out of the City, further reducing the potential risk/hazard to the community.

Despite these risk reductions, there are still facilities located in the City that use and store toxic, explosive and/or potentially hazardous materials and gases. Also, a health and safety risk to the community continues with transportation corridors such as Highways 101, 237 and 85. Although responsibility for responding to incidents on those transportation corridors does not reside with the City, City Firefighters respond to most of the incidents on those transportation corridors without needing to rely on the level of response provided by the HEAT Team.

The HEAT Team has been used infrequently in the past several years. Not only has the number of times the HEAT vehicle has been dispatched to an incident as part of the normal dispatch process or as a precaution declined, but also the number of times HEAT Team staff have had to actually undertake any response actions or mitigation.

Fiscal Year	**Number of HEAT Team Responses On Scene to Hazardous Materials Incidents**	**Number of Incidents Requiring Entry**
1997-98	26	1 Required use of Self-Contained Breathing Apparatus (SCBA) (lower level of protection)
1998-99	18	1 Response level unknown
1999-2000	13	4 Two required the highest level of respiratory protection and a lesser level of skin protection; one required limited respiratory and splash protection; and one required use of SCBA
2000-01	21	1 Required limited respiratory and splash protection
2001-02	15	None
2002-03	11	1 Required use of SCBA

The majority of the hazardous materials incidents listed above could have been handled appropriately by responding fire fighting personnel without support from the HEAT Team. At present, all Firefighters in the department are qualified to provide First

Responder Operations- (FRO-) level hazardous materials response, as required under Title 8 of the California Code of Regulations.

Program Costs

As was stated earlier in this report, 9 of the 15 current HEAT Team members are considered primary responders receiving 5 percent differential pay. The six other backup responders on the Team receive 2.5 percent differential pay. Because this differential is included within the salary of the responders, it increases their overtime rate. The differential pay (including the impact on overtime costs) is estimated to be $82,800 annually for the 15 positions. Total fiscal impact of this pay and its effects on overtime and overall program costs are included in the chart below.

The training requirements for Technician-level Team members are an initial four-week course and 24 hours of annual training. The greatest cost associated with training is overtime. For classes attended on their days off, Firefighters are paid for the time spent in class plus travel time. If Firefighters attend training during the time they are scheduled to work, it requires overtime to backfill their positions. If the training class is out of the immediate area, it requires other Firefighters to cover their scheduled 24-hour shifts with overtime. If the classes are held locally, the City backfills only for the period of time it takes to attend the class. Firefighters are expected to return to duty when the class is over. Initially, training can cost $15,000 per Firefighter. Annual training costs per Firefighter can be as much as $1,900.

Expense	Current HEAT Program Cost Components
Additional personnel costs (salary, benefits, etc.) because of pay differential	$67,200
Additional overtime costs because of HazMat pay differential	$15,600
Overtime costs related to training: • Initial training • Continuing education	 $27,500 to $40,900 $15,800 to $24,200
Tuition	$4,300
Disposable clothing	$2,400
Physical examinations	$9,800 to $11,600
TOTAL	$142,600 to $166,200

<u>Mutual Aid in Santa Clara County</u>

In the early 1980s, the Santa Clara County Fire Department (then known as Santa Clara County Central Fire Protection District) was provided State and Federal funds to create a regional Hazardous Materials Response Team. These funds were provided with the premise that the department would provide hazardous materials response to those cities in the County that did not have hazardous materials teams. The County Team, a dedicated County Fire asset, continues to operate and responds as a regional team today.

Over the years, the County Team has responded within the County (and occasionally outside the County) to those agencies that have requested their assistance. This has been the sole response team for those agencies without their own hazardous materials response capability and provided support to those agencies that have their own hazardous materials response teams.

The County's commitment to a continued regional approach to hazardous materials response has been conveyed to the department both orally and as a written document contained in the Santa Clara County Local Fire Service and Rescue Mutual Aid Plan (Appendix 5). The Plan clearly identifies that Santa Clara County Fire Department will provide a Hazardous Materials Team response to those local jurisdictions that do not have a trained team. It further indicates that should the County Fire team be unavailable, other local teams may be requested through the Mutual Aid Plan.

PROPOSED CHANGE

Given the low frequency of significant hazardous materials incidents in the City of Mountain View actually requiring the skills and expertise of the HEAT Team, it is difficult to justify maintaining the current staffing configuration for hazardous materials response. This is especially the case during a period where management of expenditures is essential. Staff recommends reducing program costs by phasing out the in-house HEAT Program and instead utilizing established County hazardous materials response mutual aid services for the relatively few instances when a specialized level of hazardous materials response is required.

At present, the San Jose, Sunnyvale and Santa Clara County* Fire Departments have dedicated hazardous materials response units. The Palo Alto Fire Department has response capabilities similar to Mountain View's current program. This provides Mountain View with four hazardous materials response units within Santa Clara County that could be requested to respond to incidents through mutual aid.

Under staff's proposal, Mountain View Fire Department personnel would still perform the same first responder functions as they do now (i.e., protect nearby persons, property and the environment from a release or potential release of a hazardous material). If, after reviewing the incident, the Battalion Chief/Incident Commander determines additional resources are required, a call for mutual aid would be made.

Utilizing existing mutual aid resources in the County, instead of continuing the City's in-house hazardous materials response capability, will save the City approximately $142,600 to $166,200 annually.

ALTERNATIVES

Staff evaluated two other alternatives in its evaluation of potential changes to the City's Hazardous Materials Response Program in its current format.

1. Maintain the current in-house hazardous materials response capability by continuing the HEAT Program.

---

* County Fire provides hazardous materials response services to the Cities of Campbell, Morgan Hill, Los Altos, Los Altos Hills, Cupertino, Los Gatos, Monte Sereno and Saratoga with hazardous materials response equipment housed in Cupertino. The City of Milpitas does not have a dedicated hazardous materials response team.

As was discussed above, there are three vacant Hazardous Materials Team Technician positions currently, and the department anticipates four more vacancies occurring during Fiscal Year 2004-05 as a result of retirements.

Additionally, the department has experienced a waning interest on the part of staff wanting to participate in the HEAT Program. In August 2003, the department formally recruited for two positions for the Team and only one person applied. The Team currently has three vacant positions and is anticipating an additional four vacancies within the next 6 to 12 months with the retirement of four current members of the Team. This will reduce the Team's strength to eight active members.

These known near-term staffing challenges along with the ongoing costs of the HEAT Program and the infrequent demand for HEAT Team expertise make it increasingly difficult to justify the continuation of the HEAT Program when the mutual aid option is available to the City.

Additional challenges involved in maintaining the status quo:

- It is not only the cost of the program that creates an issue, but whether or not the City can maintain the skill level of its responders given their infrequent exposure to hazardous materials incidents.

- Filling vacancies is difficult because some Firefighters are not willing to go through four weeks of training to qualify.

- Because of job classification and pay requirements, Paramedics currently cannot perform the duties of a HEAT Team member. This disqualifies 21 of the division's 66 frontline Firefighters.

- The department has and needs to continue to realign its time and resources to respond to the incidents with the highest frequency, including emergency medical response.

The benefits to the City of maintaining its own HEAT Team include:

- The City has more control over responses to hazardous materials incidents.

- The Program provides Suppression Division personnel additional promotional opportunities.

- The City is less dependent on services from another jurisdiction.

2. Decrease the HEAT Team size while providing hazardous materials response in cooperation with the Cities of Palo Alto and Sunnyvale.

   Mountain View Fire Department staff has met with representatives from the Palo Alto and Sunnyvale Fire Departments to discuss the possibility of providing regionalized hazardous materials response.

   With this type of regionalized hazardous materials response approach, each city would retain a capacity (i.e., equipment and personnel) to handle small hazardous materials incidents, such as a gasoline leak from a car (classified by the State as Level 1 incidents), on their own. For more significant incidents, a joint response would occur. Each of the three cities would dispatch its on-duty hazardous materials personnel and equipment to the incident and would jointly respond to and mitigate the incident. For larger incidents, the cities would coordinate the dispatch of a team of six to nine hazardous materials specialists within 20 minutes of receiving the call. The hazardous materials specialist team would train together on a monthly basis and would also attend quarterly County-wide hazardous materials training sessions.

   Shifting to this type of regionalized approach would result in the ability to reduce the number of HEAT Team members to nine. As was mentioned earlier, there are 15 Program positions and currently 12 HEAT Team members. An additional four members will be leaving the Team within the next 6 to 12 months. A reduction in the size of the department's HEAT Team to nine could be easily accomplished in the next 6 to 12 months. A reduction in staffing levels would result in an annual cost savings to the City of approximately $57,800 to $76,900.

   Other anticipated benefits from participating in a regionalized approach to hazardous materials response incidents with the Cities of Palo Alto and Sunnyvale include:

   - A regional program would allow Mountain View staff to respond to more calls and attend more training sessions with their regional partners.

   - Cooperation on a regional hazardous materials team could serve as a model for other regional fire needs, such as technical rescue and confined space operations.

   - A regional program may provide Mountain View with the opportunity to replace its existing HEAT vehicle with new equipment.

   This option also requires "meeting and conferring" with the IAFF Local 1965.

CONCLUSION

While the potential for hazardous materials incidents still exists in the City, there are ways of adequately addressing the risk of such incidents with less of a financial and administrative burden. At the present time, the HEAT Team is underutilized, making it difficult to justify its continuation at an annual cost of $142,600 to $166,200.

A viable alternative for the City is to provide this service through mutual aid with the Santa Clara County Fire Department while phasing out the City's program over a period of time.

LF/4/BUD
601-04-23-04A-2^

Exhibit 2

SUBJECT: FIRE PREVENTION SERVICES

RECOMMENDATION

Implement the following changes to the Fire Department's Fire Prevention Bureau:

- Reclassify one Deputy Fire Marshal (currently underfilling an Assistant Fire Marshal) position to a civilian position.

- Reduce funding for overtime expenses.

- Increase fees for fire safety inspections to capture the full cost of conducting the inspections.

FISCAL IMPACT

Implementation of the changes outlined above will result in approximately $93,000 in General Fund cost reductions/revenue increases annually.

- Position reclassification—$52,000.
- Reduction in overtime expenses—$23,000.
- Increased fee revenue—$18,000.

BACKGROUND AND ANALYSIS

The Fire Department's Fire Prevention Bureau conducts fire inspections and fire cause investigations and provides technical support to the department's Suppression Division. Most of the Bureau's work is devoted to the inspection of common areas of multi-family housing complexes.

The Bureau is currently staffed by two Deputy Fire Marshal positions.

Bureau staff is responsible for inspecting occupancies that pose an increased risk of fire and life safety hazard throughout the City. The table below provides information regarding the types and number of inspections conducted each year by Bureau staff.

Occupancy Type	Annual Inspections	Mandating Authority
Residential and institutional day-care facilities	30	State law
Residential and institutional convalescence facilities	5	State law
Special events (e.g., parades, festivals, Amphitheatre events)	30	Local law
Common areas of multi-family rental properties [1]	850	State law

[1] Fire safety inspections are conducted in the common areas of rental buildings, including halls, elevators, pool areas, laundry facilities, garages, etc., and focus on fire safety. These inspections are different from multi-family housing inspections that are conducted inside individual dwelling units and focus on building and habitability issues.

Additionally, Bureau staff conducts fire cause/arson investigations when the cause of a fire appears to be suspicious or is confirmed to be arson. Bureau staff conducts approximately 30 fire cause investigations a year. The Bureau also participates in the Santa Clara County Arson Task Force in which all investigation resources are shared when needed.

The department does not currently charge a fee for fire safety inspections of the common areas of multi-family rental properties. In FY 2002-03, fire safety inspection fees generated approximately $32,000 in revenue for a variety of inspections/services.

During the FY 2003-04 budget adoption process, staff proposed the elimination of one Deputy Fire Marshal position as a budget reduction strategy. The Council took no action on the recommendation at that time but rather directed staff to evaluate alternatives for maximizing the efficiency and effectiveness of fire prevention service delivery and evaluate revenues and costs associated with the provision of those services during FY 2003-04 and report back to the Council during the FY 2004-05 budget process. Staff retained Matrix Consulting Group (Matrix) to assist in this analysis.

The Matrix study recommended the department make the following changes to improve Bureau operations and the revenue generated from inspection fees:

- Transfer responsibility for fire safety inspections of common areas of multi-family rental properties from the Fire Prevention Bureau to the department's Suppression Division, thus allowing for the elimination of one of the two Deputy Fire Marshal positions.

- Increase fees for fire safety inspections to capture the full cost of conducting the inspections.

Staff has reviewed the Matrix study and recommendations and proposes an alternative recommendation for Council consideration which includes some but not all of the Matrix study recommendations.

PROPOSED CHANGE

Staff proposes the following changes to the Fire Prevention Bureau:

- Reclassify one Deputy Fire Marshal position to a civilian position.

- Reduce funding for overtime expenses associated with inspections of the common areas of multi-family rental properties by $23,000.

- Increase fees for fire safety permit inspections and special events to capture the full cost of conducting the inspections.

Staff believes that this alternative recommendation will result in substantial cost savings with a reduced service-level impact.

The department and Bureau have a unique opportunity at this time to restructure the positions in the Bureau because both employees currently filling the Deputy Fire Marshal positions will be retiring within the next 12 months. Given this opportunity, staff recommends that when the retirements go into effect, one Deputy Fire Marshal position be retained to provide the required expertise for fire cause/arson investigations in addition to inspection work. At that time, the other Deputy Fire Marshal position would be reclassified to a civilian position. Reclassification of the position would save the City approximately $52,000 per year, primarily by reducing retirement costs through this position being designated as "nonsafety."

Staff is also recommending a decrease in funding for overtime expenses associated with the inspection of common areas of multi-family rental properties. During the past two years, the Bureau has aggressively been addressing several costly and time-consuming compliance issues in the community. These issues have now been addressed and staff believes that all annual inspections for common areas of multi-family rental properties can be accomplished during normal work hours without relying on overtime. Some overtime expenses will still be required for fire cause/arson investigations and other inspections.

Staff also supports the Matrix study's recommendation to move to full cost recovery for fire safety inspections. The recently completed cost recovery (fee) study conducted by

Maximus concludes that moving close to total cost recovery with the fee recommendations will generate an additional $18,000 annually for the City's General Fund.

ALTERNATIVES

Staff evaluated three other alternatives for the Fire Prevention Services Program prior to determining and recommending the proposed changes outlined above.

1. Eliminate one Deputy Fire Marshal position.

   This was the recommendation made by staff last year and the service delivery option supported by the Matrix study.

   The Matrix study confirmed that the elimination of a Deputy Fire Marshal position is feasible and provides a desired level of cost savings. However, upon further review, the Fire Department believes that staff's proposal as outlined above is preferable to its initial recommendation (and that of the Matrix study) because it:

   - Provides significant (though decreased) annual cost savings to the City's General Fund.

   - Continues the practice of having trained inspectors conduct fire safety inspections of multi-family housing developments.

   - Provides no additional workload burden to the Suppression Division personnel.

2. Maintain the status quo.

   This alternative is not being recommended because it does not provide any cost savings to the City's General Fund and has been determined to be (through staff analysis and the Matrix study) a more-expensive-than-necessary service delivery approach.

3. Maintain fire inspection operations on the status quo but establish a new per-unit fee for rental inspections to cover the cost of all or a portion of two Inspector positions to conduct fire safety inspections of the common areas of multi-family rental properties.

   Staff did not recommend this option because of a concern that this fee increase could have a significant and detrimental financial impact on rental property owners when combined with the multi-family housing inspection fee. This would result in a fee well beyond the fees charged by the few other nearby cities that charge a similar fee.

CONCLUSION

Staff recommends that the City Council approve the following changes to the Fire Prevention Bureau to improve service delivery and revenue generation:

- Reclassify one Deputy Fire Marshal position to a civilian position.

- Reduce funding for overtime expenses associated with inspections of the common areas of multi-family rental properties by $23,000.

- Increase fees for fire safety inspections to almost completely capture the cost of conducting the inspections.

Staff believes that this recommendation will result in a significant level of cost savings to the City's General Fund while maintaining a desirable level of service.

LF/6/BUD
601-04-23-04A^

SUBJECT: MULTI-FAMILY HOUSING INSPECTION PROGRAM

Implement the following changes to the Fire Department's Multi-Family Housing Inspection Program to bring it closer to financial self-sufficiency and to improve its operations and effectiveness.

- Eliminate one Building Inspector II position.
- Replace the current tiered fee structure with a "per-unit" fee.
- Modify the basis for inspections from proactive (inspections scheduled in advance) to reactive inspections (spot inspections based on complaints or referrals).
- Consolidate and streamline all multi-family property enforcement functions into the Multi-Family Housing Inspection Program.

FISCAL IMPACT

Implementation of the changes outlined above will result in the Multi-Family Housing Inspection Program becoming more financially self-sufficient and save the City's General Fund approximately $103,000 annually.

BACKGROUND AND ANALYSIS

The City currently administers a Multi-Family Housing Inspection Program designed to:

- Ensure the health, safety and welfare of the residents of rental properties.
- Prevent conditions of deterioration and blight.
- Preserve and protect the City's rental housing stock.
- Implement the housing goals and policies of the City.

These inspection activities are not mandated by State or Federal government, but rather were implemented by the City in the mid-1970s to address concerns regarding a number of rental complexes in the community that were not being properly maintained and that posed serious health and safety issues for the people residing in the complexes.

Currently under this program, City Housing Inspectors proactively inspect inside individual rental units for compliance with Building and Housing Codes. Rental units are inspected on a three- to eight-year cycle depending on the quantity and type of violations found during previous inspections. There are two full-time Housing Inspectors assigned to this program.

There are approximately 780 complexes in the City that are regulated by the Multi-Family Housing Inspection Program. They range in size from three units to hundreds of units per complex. As mentioned above, the inspection cycle varies—complexes with no serious violations are inspected on an eight-year cycle; those with serious violations are inspected on a three-year cycle. This averages out approximately to one inspection every five years, or 20 percent of the complexes being inspected annually (156 primary inspections per year). In addition, there are approximately 150 reinspections conducted each year to verify compliance with the initial inspection, for a total workload of approximately 310 annual inspections.

A tiered structure for multi-family housing inspection fees (based on the number of units per complex) was initially implemented in 1991. In 1996, the fee structure was modified to charge lower inspection fee rates to properties with no serious violations and higher fees to properties with serious violations.

Currently, the City's General Fund provides an annual operating subsidy of $154,000 to the program.

PROPOSED CHANGE

Staff recommends a restructuring of the Multi-Family Housing Inspection Program to make it more financially self-supporting and more efficient in its operations.

The proposed restructuring of the program would include the following changes:

- Elimination of one Building Inspector II position ($103,000 savings).

- Implementation of a "per-unit" inspection fee to replace the existing tiered inspection fee structure.

- Moving from cycle-based housing inspections to inspections being conducted on a complaint or referral basis.

- Consolidating and streamlining all multi-family property enforcement functions into the Multi-Family Housing Inspection Program to provide a single point of contact for the public.

The current tiered fee structure categorizes apartment complexes as "serious" violators or "nonserious" violators. Serious violators are charged a base inspection fee of $15, $10 or $5 per unit (based on the number of units in the complex), plus an additional 25 percent because of the additional staff time required to resolve compliance issues. Nonserious violators are also charged the base inspection fee but receive a 75 percent discount on the fee reflecting the limited staff time required for inspection follow-up activities, if any.

The intent of the current tiered fee structure is to reward apartment owners who have no serious violations by charging them lower fees and charging serious violators more to encourage compliance. In practice, the current tiered fee structure is difficult to administer and the distinction between serious and nonserious violations can be subjective and open to interpretation. Landlords often disagree with the Inspectors regarding their violations in the hope of reducing their fees and those landlords found to have serious violations object to having to pay the higher level of fees until the next inspection period (three to eight years in the future) even though they have corrected the violation(s).

Staff is proposing a standard per-unit fee regardless of the compliance status. In cities that have multi-family housing programs or multi-family common areas inspection fees, flat, per-unit fees are the standard.

Staff is proposing modifying the basis for inspections from cycle-based inspections to inspections being conducted as the result of a referral or complaint. With this approach, the Inspector will be able to focus more time on problematic complexes and units. By maintaining the Inspector position in the Fire Department, fire issues that arise can be responded to quickly by Fire Prevention Bureau personnel. Other compliance issues (e.g., signs, landscaping, fencing) will also be enforced by the same Inspector, thereby streamlining enforcement.

The proposed restructuring of the Multi-Family Housing Inspection Program will result in the following benefits to the City, landlords and tenants:

- The program will be fully funded through a streamlined "per-unit" fee structure.
- The Fire Department will be able to use its resources more effectively on actual problem areas rather than using a blanket approach to inspect every building, including ones with no violations or problems.
- Fewer inspections will mean less disruptions for building owners and tenants (since owners have to accompany a City Inspector during inspections and tenants can be disturbed during inspections).
- Improved integration of the Multi-Family Housing Inspection Program with the Fire Prevention Bureau to ensure compliance on immediate fire/life safety issues.

- Consolidated code enforcement at rental units, thereby providing a single point of contact for the public.

Changes to Chapter 35 of the Mountain View City Code, "Water, Sewage and Other Municipal Services," and the City's Master Fee Schedule would be required to implement the recommended changes outlined above. This change would keep the fee in line with other local multi-family housing inspection programs. The change will result in approximately 40 percent of the current owners paying more than they pay now and 60 percent paying less than they do now. The fee modification is revenue-neutral to the City's General Fund.

ALTERNATIVES

Staff evaluated four other alternatives for the Multi-Family Housing Inspection Program prior to determining to recommend the proposed changes outlined above.

1. Maintain the status quo.

   This alternative was not recommended because it requires a continuing significant subsidy from the City's General Fund and does not address problems identified with the current tiered inspection fee structure. It maintains the current cycled inspection approach.

2. Maintain program operations on a status quo basis but increase the per-unit tiered fee structure to eliminate the need for an ongoing General Fund subsidy (excluding the $22,000 for hotels and motels).

Number of Units in the Complex	Current Base Inspection Fee	Current Fee for Nonserious Violators	Current Fee for Serious Violators
3 - 20 units	$15/unit	$3.75/unit	$18.75/unit
21 - 50 units	$10/unit	$2.50/unit	$12.50/unit
51+ units	$5/unit	$1.25/unit	$6.25/unit

   Staff does not recommend this option because of a concern that this change would result in more than a doubling of the current fees, have a significant and detrimental financial impact on rental property owners and raise the City's fees well beyond those charged by other nearby cities since most other cities do not have a multi-family housing inspection program or inspection fee.

3. Eliminate both Inspector positions.

   If the program changes outlined in the recently completed study of fire inspection services by Matrix Consulting Group are implemented, both Inspector positions in the program could be eliminated. This would likely result in the department's Suppression Division staff taking over responsibility for interior inspections and responsibility for exterior inspections being transferred to Code Enforcement staff in the City Attorney's Office.

   While this alternative would result in an annual cost savings to the City of more than $206,000 with no decrease in inspection revenue, staff does not recommend this alternative because it is unclear if this additional workload can realistically be absorbed by Code Enforcement staff. Also, the Suppression Division's shift schedule for employees may make it difficult to provide tenants and landlords with the required 48 hours' notice before inspections and fire calls and other emergencies could impact inspections and require property owners to continually reschedule and renotice their tenants of upcoming inspections.

4. Eliminate the Multi-Family Housing Inspection Program.

   Because the City's Multi-Family Housing Inspection Program is not mandated at the State or Federal level, the City could decide to eliminate the program in its entirety.

   Staff does not recommend this alternative because the City's Multi-Family Housing Inspection Program provides both tenants and landlords with a valuable resource for resolving important building, life safety and habitability issues. Without such a program, staff believes that the blight conditions that existed previously in the community could return.

CONCLUSION

Staff recommends that the City Council approve a restructuring of the City's Multi-Family Housing Inspection Program as outlined above to move the program to greater financial self-sufficiency and more efficiency in its operations.

LF/6/BUD
601-04-23-04A-1^

Exhibit 4

CITY OF MOUNTAIN VIEW
MEMORANDUM

DATE: April 30, 2004

TO: City Council

FROM: Nadine P. Levin, Assistant City Manager

SUBJECT: FIRE DEPARTMENT FEES

INTRODUCTION

The results of the cost recovery (Fee Study) conducted by Maximus (a private firm) were presented to the City Council on March 30, 2004. All fees included in the study, with the exception of the Fire Department fees, were presented at that meeting. This memorandum presents information regarding the fees currently charged by the Fire Department, the results of the Maximus study review of the department's fees and staff's recommendations regarding those fees.

Fees related to the following Fire Department operations were studied by Maximus:

1. Multi-Family Housing Inspection;

2. Fire Prevention (Fire Safety Permits, reinspections, special event inspections, multi-family common area inspections); and

3. Hazardous Materials (Fire Safety Permits, Hazardous Materials Permits, facility closures, Underground Storage Tank Permits, reinspections).

The principal goal for studying these fees was to calculate the full cost of providing the services, including all direct, indirect and support costs associated with each service area to assist in evaluating the current fee level.

The remainder of this report discusses each fee and staff's recommendations. It should be noted that for programs recommended for changes in a service area (impacting expenditures), fee recommendations are presented both for a status quo program and a modified program.

MULTI-FAMILY HOUSING INSPECTION

The City's current Multi-Family Housing Inspection Program was implemented in the mid-1970s to address concerns regarding a number of rental complexes that were not being properly maintained and that posed serious health and safety issues. Currently, rental property owners pay a housing inspection fee for each unit they own based on a tiered structure. The inspection fee structure is tiered based on the number of units within a rental complex and the severity of the violations found during previous inspections as determined by the Fire Department housing inspection staff.

In determining the cost of service for the Multi-Family Housing Inspection Program, Maximus gathered information regarding the amount of staff time spent on the program and then calculated the full cost of providing the service. The total annual cost of the Multi-Family Housing Inspection Program is $269,000. The program fees generate $115,000 in annual revenue, resulting in an annual General Fund subsidy of $154,000.

To achieve full cost recovery, the current tiered structure of the fees as detailed below would need to more than double.

	Current Fee	
Number of Units in Complex	Nonserious Violators	Serious Violators
3-20	3.75	18.75
21-50	2.50	12.50
51+	1.25	6.25

As an alternative, staff is recommending to transition to a flat, per-unit fee structure without consideration of previous code violations. Currently, there is a degree of subjectivity that needs to be applied by the Inspector in determining the severity of the violation. The tiered approach can result in a great deal of inspector time explaining and justifying fee levels to property owners and managers. It is staff's recommendation to establish a flat rate based on the total cost of the program and the number of units covered by the program.

In addition, staff has recommended changing the Multi-Family Housing Inspection Program from a cyclical basis to a referral/complaint basis and, in doing so, eliminate one Housing Inspector position, decreasing the cost of the program to $165,485. With the change to a referral-/complaint-based program, the tiered fee structure will no longer be applicable, and a flat fee structure will be necessary. Hotel and motel units, which are less than 1 percent of the units inspected, are not assessed a fee, resulting in a current annual General Fund subsidy of $22,000. Staff is recommending a flat fee of

$10.28 per unit to recover the full cost of the recommended program without the hotel and motel units. A $16.69 per-unit fee would be necessary to fund the entire cost of the current program without these units. Attachment 4A details the total cost, current subsidy and recommended fee.

FIRE PREVENTION FEES

Fire Safety Permits

The Fire Prevention Division is responsible for issuing Fire Safety Permits for occupancies or uses as determined by the Uniform Fire Code (UFC). Permit fees are intended to cover the cost of inspecting these occupancies/uses. Each occupancy, depending on the types of materials inspected, could be assessed fees for up to a maximum of four Fire Safety Permits. The current Fire Safety Permit fee is $88 annually for each permit type. The total cost of the Fire Safety Permit Program (for occupancies that do not have hazardous materials on-site) is $45,030 and the revenue generated at the current fee is $16,168, resulting in a General Fund subsidy of $28,862. To achieve 100 percent program cost recovery, the permit fee would need to increase and a facility inspection fee based on the square footage of the facility would need to be assessed. The types of facilities inspected vary greatly in size and the information prepared in the study recommends the utilization of a flat fee in combination with a fee assessed on square footage in order to equitably spread the additional inspection cost related to the size of a facility. The square footage fee is detailed below:

Square Footage	Facility Inspection Fee
0 - 5,000	$25
5,001 - 25,000	$150
25,001 - 100,000	$625
100,001 - 250,000	$1,750
250,001 - 500,000	$3,750
500,000+	$5,000

The fee is calculated at $0.01 per square foot for the midpoint of each range. The businesses that would be assessed the facility inspection component represent small businesses, home businesses and institutional day-care/resident-care facilities. Staff recommends not assessing this component and subsidizing the $5,000.

To recover the cost of the current program (excluding the $5,000), a $161 annual fee per permit(s) is required.

Staff is recommending a change in the Fire Prevention Division that will decrease the overall cost of providing Fire Prevention services. If the Council approves the recommended change, the cost of providing these inspections decreases to $38,237 and reduces the General Fund subsidy to $22,069. To eliminate the subsidy (excluding the $5,000), the permit fee would need to be set at $134 annually per permit(s) required.

It is staff's recommendation to recover close to total costs (excluding the $5,000) and to set the annual permit fee at $134 if the program changes are approved and at $161 if the recommended changes in the division are not approved.

As part of this process, a facility receives an initial inspection and one reinspection to ensure compliance with City Code. If further inspections are needed as a result of non-compliance, a reinspection fee of $88 per hour is currently assessed. Staff recommends the reinspection fee be increased to $113 per hour if program changes are approved and to $134 per hour if program changes are not approved.

Special Events

The Fire Prevention Division is responsible for a range of special event inspections. The annual cost of providing these inspections is $20,234 with revenue of $16,081 generated under the current fee structure, resulting in an annual General Fund subsidy of $4,153. Staff is recommending the fee increase from the current $109 per hour to $134 per hour in order to achieve 100 percent cost recovery. The recommended changes in the Fire Prevention Division staffing would decrease the cost of providing these inspections to $17,096 and result in a $1,015 General Fund subsidy. If the changes are approved, staff recommends increasing the fee from the current $109 per hour to $113 per hour to eliminate the General Fund subsidy. Attachment 4A details the total cost, current subsidy and recommended fee.

Multi-Family Common Area Inspections

Annual inspection of the common areas of multi-family buildings is mandated by the State. These inspections are currently performed by the Deputy Fire Marshals and the annual cost of providing these inspections is $360,727. If the changes recommended for the Fire Prevention Division staffing are approved, the cost of this inspection program decreases to $286,779. No fee is currently charged for these inspections, and the total cost is subsidized by the General Fund. Staff is not recommending a fee be implemented at this time since the impact would fall upon the same property owners who pay the multi-family inspection fee.

HAZARDOUS MATERIALS PERMIT PROGRAM

The Hazardous Materials Permit Program of the Fire Department is responsible for enforcing various State-mandated programs aimed at protecting the soil and groundwater from hazardous material releases, as well as providing critical information to the City's emergency responders. The division consists of two full-time inspectors and a half-time support staff. Programs within their scope of responsibility include:

1. Hazardous materials reporting program;

2. Hazardous Materials Permitting (includes hazardous materials inspections and permitting of sites containing hazardous materials);

3. Facility closure inspections;

4. Fire Safety Permits at hazardous materials facilities (includes fire inspections and fire permitting);

5. Underground Storage Tank Program (includes underground tank inspections and permitting); and

6. Plan review (plan check) for new construction.

In order to coordinate fire inspections and eliminate multiple interruptions at each location, any business requiring Hazardous Materials Permit(s) and Fire Safety Permit(s) are inspected at the same time by these inspectors.

Maximus built a costing model using resource consumption data and workload statistics for Fire Safety Permit and Hazardous Materials Permit and inspection processes. Utilizing this information, the work activities and processes used in each of the fee-for-service inspection areas were identified and then a cost developed for each activity.

In addition, specific hazardous materials inspections were weighted using a State standard to assign inspection costs to specific types of inspections. This weighting takes into account the relative complexity of each type of inspection, materials being inspected and the storage container size.

All expenses and fee revenue related to the Hazardous Materials Inspection Program reside in the Wastewater Fund. To the degree the fee revenue does not cover costs, the wastewater rate payer subsidizes this operation.

Staff Recommendations for the Hazardous Materials Permit Program

Fire Safety Permits

As discussed earlier, during the evaluation of this activity in the Fee Study, the fee calculation for Fire Safety Permits was separated into two components—a flat fee and a fee based on the square footage of the facility—in order to equitably assess the cost by recognizing the size of the facility to be inspected. This program has a total cost of $201,055 and revenue at the current fee structure of $43,824, resulting in a Wastewater Fund subsidy of $157,231. In order to fully cost recover, staff recommends a flat fee of $161 plus a facility inspection fee of $0.01 per square foot to be assessed as detailed below:

Square Footage	Fee
0 - 5,000	$25
5,001 - 25,000	$150
25,001 - 100,000	$625
100,001 - 250,000	$1,750
250,001 - 500,000	$3,750
500,000+	$5,000

Hazardous Materials Permits and Inspections

Retain all the Hazardous Materials Permit and related fees at the current level since the analysis shows that the overall permitting and inspection are at full cost recovery.

SUMMARY

Based upon the results of the cost recovery (Fee Study), staff is recommending the following changes in the Fire Department fees:

Multi-Family Housing Inspection

- Flat per-unit fee if program changes are approved: $10.28.

- Flat per-unit fee if program changes are not approved: $16.69.

Fire Prevention

Fire Safety Permits

- Increase fee for annual permit(s) required for each type of material inspected (if program changes are approved): $134.
- Increase annual fee for permit(s) required for each type of material inspected (if program changes are not approved): $161.
- Increase any subsequent reinspections necessary to ensure compliance (if program changes are approved): $113 per hour.
- Increase any subsequent reinspections necessary to ensure compliance (if program changes are not approved): $134 per hour.

Special Events

- Increase inspection fee if program changes are approved: $113 per hour.
- Increase inspection fee if program changes are not approved: $134 per hour.

Multi-Family Common Area Inspections

Do not establish a fee.

Hazardous Materials Program (Wastewater Revenue)

- Fire safety inspections—Increase the annual fee per permit required to $161 per permit plus the assessment of a facility inspection fee based on square footage of the facility.
- Retain the Hazardous Materials Permit fee structure at the current level.

These fees will also be included for additional review and discussion with the other fee recommendations at the May 18 City Council study session.

Nadine P. Levin
Assistant City Manager

NPL/LS/5/BUD
679-04-28-04M-E^

Fire Prevention - Cost of Service Analysis (General Fund)

Attachment 4A

Fire Prevention Services	Current Fee	Revenue at Current Fee (1)	Unit Cost	Total Cost	Surplus (Subsidy)	Recomm'd Fee	Revenue at Recomm'd Fee (2)	Milpitas	Palo Alto	San Jose	Santa Clara	Sunnyvale
	Cost of Service Analysis					**Recommendations**		**Comparables**				
Fire Safety Permits for Non Hazardous Materials Occupancy (3)												
Current Program	$ 88	$ 16,168	$ 161	$ 40,030	$ (23,862)	$ 161	$ 40,030	$208	$183	$340 (avg)	$100	$121-$306
Recommended Program (w/staffing changes)	$ 88	$ 16,168	$ 134	$ 33,237	$ (17,069)	$ 134	$ 33,387					
Fire Safety Facility Inspection	None	$ -	0.01 per sq foot	5,000	$ (5,000)		$ -					
Reinspections												
Current Program (hourly rate)	$ 88	(4)	$ 134	(4)		$ 134	(4)	Not Available	Not Available	Not Available	Not Available	Not Available
Recommended Program (hrly rate w/staff chgs)	$ 88	(4)	$ 113	(4)		$ 113	(4)					
Special Events (5)												
Current Program (hourly rate)	$ 109	$ 16,081	$ 134	$ 20,234	$ (4,153)	$ 134	$ 20,234	Not Available	Not Available	Not Available	Not Available	Not Available
Recommended Program (hrly rate w/staff chgs)	$ 109	$ 16,081	$ 113	$ 17,096	$ (1,015)	$ 113	$ 17,096					
Multi Housing Inspection Program								**Hayward**	**Palo Alto**	**San Jose**	**Santa Clara**	**Sunnyvale**
Current Program	Tiered structure*	$ 115,000	$16.69 per unit	$ 268,781	$ (153,781)	16.69 per unit	$ 247,012	No Fee	No Fee	27.60/unit	No Fee	No Fee
Recommended Program (w/staffing changes)	Tiered structure*	$ 115,000	$10.28 per unit	$ 165,485	$ (50,485)	$10.28 per unit	$ 152,144	No Fee	No Fee	27.60/unit	No Fee	No Fee
Multi Housing Inspection 2nd reinspection					Eliminate if flat fee structure approved							
Multi - Housing Inspection 3-20 units					Eliminate if flat fee structure approved							
Multi - Housing Inspection 21-50 units					Eliminate if flat fee structure approved							
Multi - Housing Inspection 50+ units					Eliminate if flat fee structure approved							
Serious Violations Inspection 3-20 units					Eliminate if flat fee structure approved							
Serious Violations Inspection 21-50 units					Eliminate if flat fee structure approved							
Serious Violations Inspection 50+ units					Eliminate if flat fee structure approved							
Non Serious Violations Inspection 3-20 units					Eliminate if flat fee structure approved							
Non Serious Violations Inspection 21-50 units					Eliminate if flat fee structure approved							
Non Serious Violations Inspection 50+ units					Eliminate if flat fee structure approved							
Baseline Inspections for Motels and Hotels					Eliminate if flat fee structure approved							
Reinspections - Multi-housing					Eliminate if flat fee structure approved							
Reinspections - Hotels and Motels					Eliminate if flat fee structure approved							
Reinspections after 1st reinspection					Eliminate if flat fee structure approved							
Reports - Fire Investigation report request					Eliminate if flat fee structure approved							
Reports - Incident report request					Eliminate if flat fee structure approved							
Valid service request					Eliminate if flat fee structure approved							
Multi Family Common Area Inspections												
Current Program	None	0	$ 18.99	$ 360,727	$ (360,727)	None	$ -	$133/ building	No Fee	No Fee	$5/unit (residential with +3 units)	No Fee
Recommended Program (w/staffing changes)	None	0	$ 15.09	$ 286,779	$ (286,779)	None	$ -					
Current Programs		**$ 147,249**		**$ 694,772**	**(547,523)**		**$ 307,276**					
Recommended Programs		**$ 147,249**		**$ 507,597**	**$ (360,348)**		**$ 202,627**					

Fire Prevention - Cost of Service Analysis (General Fund)

Attachment 4A

(1) Revenue estimate calculated using average volumes.
(2) Revenue projections calculated with recommended fee assume an average volume.
(3) Each occupancy, depending on the types of materials inspected, could be assessed fees for up to a maximum of four fire safety permits.
(4) Fee based on the calculated hourly rate to perform an inspection. No revenue or total cost projection included as these are done on an "as needed basis" for non compliant business
(5) Include residential care facilities, fireworks displays, pyrotechnical special events, parades, temporary installations and other special events.

*Current Multi Housing Inspection Tier Structure:

Number of Units in Complex	Current per-unit fee "Non- Serious"	Current per-unit fee "Serious"
3-20	$3.75	$18.75
21-50	$2.50	$12.50
51+	$1.25	$6.25

Note: Some information on this spreadsheet has been changed since the preparation of the fee study report. Those changes are as follows:
***Fire Safety Permits for Non Hazardous Materials Occupancy - current revenue changed to reflect actual amount received during the study period.**
***Special Events/R1 Inspection - upon further review staff realized that some overtime costs had been included in total costs of Special Events that should have been included in the total cost of Multi Family Common Area Inspections.**

Hazardous Materials Program - Cost of Service Analysis (Wastewater Fund)

Attachment 4B

Hazardous Materials Programs	Current Fee	Revenue at Current Fee (1)	Unit Cost	Total Cost	Surplus (Subsidy)	Recommended Fee (2)	Revenue at Recommended Fee (3)	Milpitas	Palo Alto	San Jose	Santa Clara	Sunnyvale
	Cost of Servicee Analysis					**Revenue Analysis**		**Comparables**				
Fire Safety Permits (4):												
Facility Inspection (per square foot) (5) (6)	None	$ -	$ 0.01	$ 114,621	$ (114,621)	$ 0.01	$ 114,621					
Aerosol Products	$ 88	$ 88	$ 161	$ 161	$ (73)	$ 161	$ 161	$208	$183	$340 (avg)	$100	$121-$306
Battery System	$ 88	$ 440	$ 161	$ 804	$ (364)	$ 161	$ 804	$208	$183	$340 (avg)	$100	$121-$306
Assembly Occupancy Areas	$ 88	$ -	$ 161		$ -	$ 161	$ -	$208	$183	$340 (avg)	$100	$121-$306
Combustible fiber Storage	$ 88	$ -	$ 161		$ -	$ 161	$ -	$208	$183	$340 (avg)	$100	$121-$306
Combustible materials Storage	$ 88	$ 88	$ 161	$ 161	$ (73)	$ 161	$ 161	$208	$183	$340 (avg)	$100	$121-$306
Commercial Rubbish Handling	$ 88	$ 88	$ 161	$ 161	$ (73)	$ 161	$ 161	$208	$183	$340 (avg)	$100	$121-$306
Compressed Gases	$ 88	$ -	$ 161		$ -	$ 161	$ -	$208	$183	$340 (avg)	$100	$121-$306
Cryogens	$ 88	$ -	$ 161		$ -	$ 161	$ -	$208	$183	$340 (avg)	$100	$121-$306
Dry Cleaning Plant	$ 88	$ 1,408	$ 161	$ 2,573	$ (1,165)	$ 161	$ 2,573	$208	$183	$340 (avg)	$100	$121-$306
Dust-Producing Operations	$ 88	$ 440	$ 161	$ 804	$ (364)	$ 161	$ 804	$208	$183	$340 (avg)	$100	$121-$306
Explosives or Blasting agents	$ 88	$ -	$ 161		$ -	$ 161	$ -	$208	$183	$340 (avg)	$100	$121-$306
Flammable or Combustible Liquids & Tanks	$ 88	$ 11,352	$ 161	$ 20,744	$ (9,392)	$ 161	$ 20,744	$208	$183	$340 (avg)	$100	$121-$306
High Piled Combustible Storage	$ 88	$ 880	$ 161	$ 1,608	$ (728)	$ 161	$ 1,608	$208	$183	$340 (avg)	$100	$121-$306
Hot Works Operations	$ 88	$ 8,448	$ 161	$ 15,437	$ (6,989)	$ 161	$ 15,437	$208	$183	$340 (avg)	$100	$121-$306
Liquefied Petroleum Gases	$ 88	$ 1,232	$ 161	$ 2,251	$ (1,019)	$ 161	$ 2,251	$208	$183	$340 (avg)	$100	$121-$306
Ovens - Industrial Baking or drying	$ 88	$ -	$ 161		$ -	$ 161	$ -	$208	$183	$340 (avg)	$100	$121-$306
Places of Assembly	$ 88	$ 3,168	$ 161	$ 5,789	$ (2,621)	$ 161	$ 5,789	$208	$183	$340 (avg)	$100	$121-$306
Refrigeration Equipment	$ 88	$ -	$ 161		$ -	$ 161	$ -	$208	$183	$340 (avg)	$100	$121-$306
Repair Garages	$ 88	$ 9,856	$ 161	$ 18,010	$ (8,154)	$ 161	$ 18,010	$208	$183	$340 (avg)	$100	$121-$306
Spraying or Dipping	$ 88	$ 1,672	$ 161	$ 3,055	$ (1,383)	$ 161	$ 3,055	$208	$183	$340 (avg)	$100	$121-$306
Wood Products	$ 88	$ 88	$ 161	$ 161	$ (73)	$ 161	$ 161	$208	$183	$340 (avg)	$100	$121-$306
Motor Vehicle fuel dispensing	$ 88	$ 1,848	$ 161	$ 3,377	$ (1,529)	$ 161	$ 3,377	$208	$183	$340 (avg)	$100	$121-$306
Hazardous Materials	$ 88	$ 2,640	$ 161	$ 4,824	$ (2,184)	$ 161	$ 4,824	$208	$183	$340 (avg)	$100	$121-$306
Lumber Yard	$ 88	$ 88	$ 161	$ 161	$ (73)	$ 161	$ 161	$208	$183	$340 (avg)	$100	$121-$306
	Total	**$ 43,824**		**$ 201,055**	**$ (157,231)**		**$ 201,055**					

Hazardous Materials Permits:

Hazardous Materials Programs	Current Fee	Revenue at Current Fee (1)	Unit Cost	Total Cost	Surplus (Subsidy)	Recommended Fee (2)	Revenue at Recommended Fee (3)	Milpitas	Palo Alto	San Jose	Santa Clara	Sunnyvale
Plan Review/Inspection (2 hour min)	$ 88	$ 17,591	$ 156	$ 37,052	$ (19,461)	$ 88	$ 17,591	$208 small $520 med $832 large	$218	$458	$200	Not Available
Reinspections	$ 88	$ 1,628	$ 156	$ 3,727	$ (2,099)	$ 88	$ 1,628	Not Available	Not Available	Not Available	Not Available	Not Available
Facility Closure Review/Inspection	$ 109	$ 10,028	$ 353	$ 32,436	$ (22,408)	$ 109	$ 10,028	NC small $312 med $520 large	$228 (2 hrs) +$95 (ea.add'l hour)	NC small & medium $458 large	$100 exempt $250 non exempt	NC small & medium $470 large

Hazardous Materials Program - Cost of Service Analysis (Wastewater Fund) Attachment 4B

	Cost of Servicee Analysis					Revenue Analysis		Comparables				
Hazardous Materials Programs	Current Fee	Revenue at Current Fee (1)	Unit Cost	Total Cost	Surplus (Subsidy)	Recommended Fee (2)	Revenue at Recommended Fee (3)	Milpitas	Palo Alto	San Jose	Santa Clara	Sunnyvale
Hazardous Materials Permits:								$208 small $520 med $1,040 lg	$350 auto, dry cleaner & other small $781 med/large	$121 each QR	$125/ hazard class (any amount)	$395/QR 1,2 $598/QR 3,4,5
Corrosive (Gas, Liquid, Solid) Q1	$ 100	$ 24,200	$ 80	$ 19,394	$ 4,806	$ 100	$ 24,200					
Corrosive (Gas, Liquid, Solid) Q2	$ 200	$ 12,800	$ 160	$ 10,258	$ 2,542	$ 200	$ 12,800					
Corrosive (Gas, Liquid, Solid) Q3	$ 300	$ 6,600	$ 240	$ 5,289	$ 1,311	$ 300	$ 6,600					
Corrosive (Gas, Liquid, Solid) Q4	$ 350	$ -	$ 280			$ 350	$ -					
Corrosive (Gas, Liquid, Solid) Q5	$ 400	$ 1,200	$ 321	$ 962	$ 238	$ 400	$ 1,200					
Corrosive (Gas, Liquid, Solid) Q6 (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					
Cryogen Q1	$ 100	$ 1,600	$ 80	$ 1,282	$ 318	$ 100	$ 1,600					
Cryogen Q2	$ 200	$ 5,000	$ 160	$ 4,007	$ 993	$ 200	$ 5,000					
Cryogen Q3	$ 300	$ 2,700	$ 240	$ 2,164	$ 536	$ 300	$ 2,700					
Cryogen Q4	$ 350	$ 2,450	$ 280	$ 1,963	$ 487	$ 350	$ 2,450					
Cryogen Q5	$ 400	$ 800	$ 321	$ 641	$ 159	$ 400	$ 800					
Cryogen Q6 (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					
Flammable Gas Q1	$ 100	$ 24,800	$ 80	$ 19,875	$ 4,925	$ 100	$ 24,800					
Flammable Gas Q2	$ 200	$ 31,200	$ 160	$ 25,004	$ 6,196	$ 200	$ 31,200					
Flammable Gas Q3	$ 300	$ 11,100	$ 240	$ 8,896	$ 2,204	$ 300	$ 11,100					
Flammable Gas Q4	$ 350	$ 2,450	$ 280	$ 1,963	$ 487	$ 350	$ 2,450					
Flammable Gas Q5	$ 400	$ 1,200	$ 321	$ 962	$ 238	$ 400	$ 1,200					
Flammable Gas Q6 (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					
Explosives Q1	$ 100	$ 400	$ 80	$ 321	$ 79	$ 100	$ 400					
Explosives Q2	$ 200	$ -	$ 160	$ -	$ -	$ 200	$ -					
Explosives Q3	$ 300	$ -	$ 240	$ -	$ -	$ 300	$ -					
Explosives Q4	$ 350	$ -	$ 280	$ -	$ -	$ 350	$ -					
Explosives Q5	$ 400	$ -	$ 321	$ -	$ -	$ 400	$ -					
Explosives Q6 (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					
Infectious Substances Q1	$ 100	$ 200	$ 80	$ 160	$ 40	$ 100	$ 200					
Infectious Substances Q2	$ 200	$ -	$ 160	$ -	$ -	$ 200	$ -					
Infectious Substances Q3	$ 300	$ -	$ 240	$ -	$ -	$ 300	$ -					
Infectious Substances Q4	$ 350	$ -	$ 280	$ -	$ -	$ 350	$ -					
Infectious Substances Q5	$ 400	$ -	$ 321	$ -	$ -	$ 400	$ -					
Infectious Substances Q6 (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					
Oxidizers-Gas, Liquids, Solids Q1	$ 100	$ 8,300	$ 80	$ 6,652	$ 1,648	$ 100	$ 8,300					
Oxidizers-Gas, Liquids, Solids Q2	$ 200	$ 1,600	$ 160	$ 1,282	$ 318	$ 200	$ 1,600					
Oxidizers-Gas, Liquids, Solids Q3	$ 300	$ 600	$ 240	$ 481	$ 119	$ 300	$ 600					
Oxidizers-Gas, Liquids, Solids Q4	$ 350	$ 350	$ 280	$ 280	$ 70	$ 350	$ 350					
Oxidizers-Gas, Liquids, Solids Q5	$ 400	$ -	$ 321	$ -	$ -	$ 400	$ -					
Oxidizers-Gas, Liquids, Solids Q6 (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					
Misc Hazardous Materials Q1	$ 100	$ 19,100	$ 80	$ 15,307	$ 3,793	$ 100	$ 19,100					
Misc Hazardous Materials Q2	$ 125	$ 12,125	$ 100	$ 9,717	$ 2,408	$ 125	$ 12,125					
Misc Hazardous Materials Q3	$ 150	$ 2,850	$ 120	$ 2,284	$ 566	$ 150	$ 2,850					
Misc Hazardous Materials Q4	$ 175	$ 350	$ 140	$ 280	$ 70	$ 175	$ 350					
Misc Hazardous Materials Q5	$ 200	$ 400	$ 160	$ 321	$ 79	$ 200	$ 400					
Misc Hazardous Materials Q6 (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					

Hazardous Materials Program - Cost of Service Analysis (Wastewater Fund)

Attachment 4B

	Cost of Servicee Analysis					Revenue Analysis		Comparables				
Hazardous Materials Programs	**Current Fee**	**Revenue at Current Fee (1)**	**Unit Cost**	**Total Cost**	**Surplus (Subsidy)**	**Recommended Fee (2)**	**Revenue at Recommended Fee (3)**	**Milpitas**	**Palo Alto**	**San Jose**	**Santa Clara**	**Sunnyvale**
Organic Peroxides Q1	$ 100	$ 500	$ 80	$ 401	$ 99	$ 100	$ 500					
Organic Peroxides Q2	$ 200	$ -	$ 160	$ -	$ -	$ 200	$ -					
Organic Peroxides Q3	$ 300	$ -	$ 240	$ -	$ -	$ 300	$ -					
Organic Peroxides Q4	$ 400	$ -	$ 321	$ -	$ -	$ 400	$ -					
Organic Peroxides Q5	$ 500	$ -	$ 401	$ -	$ -	$ 500	$ -					
Organic Peroxides (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					
Poisonous Materials Q1	$ 100	$ 11,300	$ 91	$ 10,240	$ 1,060	$ 100	$ 11,300					
Poisonous Materials Q2	$ 200	$ 5,200	$ 181	$ 4,712	$ 488	$ 200	$ 5,200					
Poisonous Materials Q3	$ 300	$ -	$ 272	$ -	$ -	$ 300	$ -					
Poisonous Materials Q4	$ 400	$ -	$ 362	$ -	$ -	$ 400	$ -					
Poisonous Materials Q5	$ 500	$ 500	$ 453	$ 453	$ 47	$ 500	$ 500					
Poisonous Materials Q6 (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					
Spontaneous Comb Materials Q2	$ 200	$ -	$ 160	$ -	$ -	$ 200	$ -					
Comb Materials Q1	$ 100	$ 100	$ 80	$ 80	$ 20	$ 100	$ 100					
Spontaneous Comb Materials Q3	$ 300	$ -	$ 240	$ -	$ -	$ 300	$ -					
Spontaneous Comb Materials Q4	$ 400	$ -	$ 321	$ -	$ -	$ 400	$ -					
Spontaneous Comb Materials Q5	$ 500	$ -	$ 401	$ -	$ -	$ 500	$ -					
Spontaneous Comb Materials Q6 (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					
Dangerous - Wet Materials Q1	$ 100	$ 900	$ 80	$ 721	$ 179	$ 100	$ 900					
Dangerous - Wet Materials Q2	$ 200	$ -	$ 160	$ -	$ -	$ 200	$ -					
Dangerous - Wet Materials Q3	$ 300	$ -	$ 240	$ -	$ -	$ 300	$ -					
Dangerous - Wet Materials Q4	$ 400	$ -	$ 321	$ -	$ -	$ 400	$ -					
Dangerous - Wet Materials Q5	$ 500	$ -	$ 401	$ -	$ -	$ 500	$ -					
Dangerous - Wet Materials Q6 (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					
Combustible Liquids Q1	$ 100	$ 10,200	$ 80	$ 8,175	$ 2,025	$ 100	$ 10,200					
Combustible Liquids Q3	$ 200	$ 15,600	$ 160	$ 12,502	$ 3,098	$ 200	$ 15,600					
Combustible Liquids Q2	$ 150	$ 28,050	$ 120	$ 22,480	$ 5,570	$ 150	$ 28,050					
Combustible Liquids Q4	$ 250	$ 1,250	$ 200	$ 1,002	$ 248	$ 250	$ 1,250					
Combustible Liquids Q5	$ 300	$ 1,200	$ 240	$ 962	$ 238	$ 300	$ 1,200					
Combustible Liquids (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					
Flammable (Liquids, Solids) Q1	$ 100	$ 100	$ 80	$ 80	$ 20	$ 100	$ 100					
Flammable (Liquids, Solids) Q2	$ 150	$ 150	$ 120	$ 120	$ 30	$ 150	$ 150					
Flammable (Liquids, Solids) Q3	$ 200	$ 200	$ 160	$ 160	$ 40	$ 200	$ 200					
Flammable (Liquids, Solids) Q4	$ 250	$ 250	$ 200	$ 200	$ 50	$ 250	$ 250					
Flammable (Liquids, Solids) Q5	$ 300	$ 300	$ 240	$ 240	$ 60	$ 300	$ 300					
Flammable (Liquids, Solids) Q6 (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					
Nonflammable Gas Q1	$ 100	$ 4,400	$ 80	$ 3,526	$ 874	$ 100	$ 4,400					
Nonflammable Gas Q2	$ 150	$ 17,100	$ 120	$ 13,704	$ 3,396	$ 150	$ 17,100					
Nonflammable Gas Q3	$ 200	$ 9,200	$ 160	$ 7,373	$ 1,827	$ 200	$ 9,200					
Nonflammable Gas Q4	$ 250	$ 1,750	$ 200	$ 1,402	$ 348	$ 250	$ 1,750					
Nonflammable Gas Q5	$ 300	$ 900	$ 240	$ 721	$ 179	$ 300	$ 900					
Nonflammable Gas Q6 (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					

Hazardous Materials Program - Cost of Service Analysis (Wastewater Fund)

Attachment 4B

Hazardous Materials Programs	Current Fee	Revenue at Current Fee (1)	Unit Cost	Total Cost	Surplus (Subsidy)	Recommended Fee (2)	Revenue at Recommended Fee (3)	Milpitas	Palo Alto	San Jose	Santa Clara	Sunnyvale
	Cost of Servicee Analysis					Revenue Analysis		Comparables				
Radioactive Q1	$ 125	$ 1,875	$ 100	$ 1,503	$ 372	$ 125	$ 1,875					
Radioactive Q2	$ 125	$ -	$ 100	$ -	$ -	$ 125	$ -					
Radioactive Q3	$ 125	$ -	$ 100	$ -	$ -	$ 125	$ -					
Radioactive Q4	$ 125	$ -	$ 100	$ -	$ -	$ 125	$ -					
Radioactive Q5	$ 125	$ -	$ 100	$ -	$ -	$ 125	$ -					
Radioactive Q6 (7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -					
Underground Tank Inspection (per tank)	None	$ -	$ 108	$ 10,926	$ (10,926)	None	$ -					
		$ 314,647		**$ 314,647**	**$ (0)**		**$ 314,647**					

Summary of Hazardous Materials Programs:				
Revenue Impacts - Fire Safety Inspections	**$ 43,824**	**$ 201,055**	**$ (157,231)**	**$ 201,055**
Revenue Impacts - Haz. Mat. Permit	**$ 314,647**	**$ 314,647**	**$ (0)**	**$ 314,647**

(1) Revenue estimate calculated using average volumes.
(2) Fees are recommended at 100% cost recovery
(3) Revenue projections calculated with recommended fee assume an average volume.
(4) Each occupancy, depending on the types of materials inspected, could be assessed fees for up to a maxmimu of four fire safety permits.
(5) Total square footage of buildings containing hazardous materials and requiring a fire safety permit is 14,300,000.
(6) New fee
(7) QR6 is an incremental amount added to the QR5 fee based on the type of hazardous materials (i.e. .01 cent/lb for hazardous materials solids in excess of 100,000 lbs.

Note: Some information on this spreadsheet has been changed since the preparation of the fee study report. Those changes are as follows:
***Plan Review and Inspection - Revenue at Current Fee changed to reflect actual amount of revenue received during the study period.**
***Reinspection - Volume statistics reviewed and corrected.**

General Fund: Shoreline Golf Links

Shoreline Golf Links is an 18-hole course designed by Robert Trent Jones II & Associates and was completed in 1983. The course is generally opened to the public 364 days a year with 72,000 to 76,000 rounds of play annually. The course, previously leased to a private party, came under the direct management of the City in December 1995. Since the City assumed management, the course has undergone major renovations.

Although Shoreline Golf Links is a General Operating Fund program, it is tracked and reported separately for management information purposes and to provide a more comprehensive overview of its operations.

Fiscal Year 2003-04 estimated operating revenues of $3.6 million are $271,000 lower than the $3.9 million budgeted due to green fees, driving range, rental fees, golf lessons and Pro Shop revenues trending below budget. Both rounds of play and the average price per round are trending below budget. The overall decline in revenues is symptomatic of the general economic slowdown in Silicon Valley.

Operating expenditures are estimated at $3.3 million, $245,000 less than the budget of $3.6 million. This reflects vacant positions and miscellaneous operational savings. Included in operating expenditures is $419,000 to reimburse the cost of administrative support provided by departments in the General Operating Fund. In addition to operating expenditures, $250,000 is designated to support other Recreation programs. The estimated revenue over expenditure balance is $62,000 for Fiscal Year 2003-04, and Shoreline Golf Links operations is estimated to end the current fiscal year with a balance of $2.1 million.

Revenues, expenditures and balance comparisons for the Shoreline Golf Links follow (amounts in thousands):

	2002-03 Audited	2003-04 Adopted	2003-04 Estimated	2004-05 Recommended
Revenues:				
Investment Earnings	$ 115	108	103	91
Green Fees	2,298	2,399	2,175	2,393[(1)]
Rental Fees	348	350	319	325[(1)]
Driving Range	435	470	422	510[(1)]
Retail Sales	440	435	422	425
Other	252	135	185	130
Total Revenues	3,888	3,897	3,626	3,874
Operating Expenditures	3,525	3,559	3,314	3,522
Operating Balance	363	338	312	352
Capital Projects	(320)	-0-	-0-	(71)
Transfer for Recreation Programs	(250)	(250)	(250)	(450)
Excess (Deficiency) of Revenues	(207)	88	62	(169)
Beginning Balance	2,210	2,003	2,003	2,065
Ending Balance	$2,003	2,091	2,065	1,896

(1) Includes recommended green fee, driving range and rental fee increases.

The Fiscal Year 2004-05 expenditure recommendations include the following:

- Assistant Golf Course Superintendent Position: ($83,400)

  Eliminates the Assistant Golf Course Superintendent position. *Reduces resources and increases workload and span of control for Golf Course Superintendent.*

- Seasonal Maintenance Labor Hours: ($12,000)

  Reduces seasonal maintenance labor hours. *Limits flexibility and resources available to maintain course.*

- Major Capital Improvements:

  - Rest Room at Driving Range: $71,000

- Major Equipment Replacement:

  - 75 Electric-Powered Golf Carts: $315,000

  - Triplex Greens Mower: $25,000

  - Trim Mower: $22,800

Revenues for Fiscal Year 2004-05 are projected to total $3.9 million and operating expenditures are recommended at $3.5 million. Included in recommended revenues are green fee and driving range increases of $1 to $3 (depending on day and time of play), rental increases of $2 to $5 and an increased fixed per player tournament fee. The recommended fee increases are to offset rising course operating costs, while still maintaining rates at competitive levels. The Parks and Recreation Commission has reviewed the fee recommendations and approved them to be forwarded to Council (see Exhibit 1).

Golf course equipment, with an estimated replacement value of approximately $1.3 million, was added to the Equipment Replacement Fund in Fiscal Year 2000-01 similar to other City equipment. The annual contribution to the fund for Fiscal Year 2004-05 is estimated at $149,000. Also included in operating expenditures is $419,000 for reimbursement of administrative support provided by such departments as the City Manager's Office, City Attorney's Office and Finance and Administrative Services and Community Services Departments.

In Fiscal Year 2002-03, the City Council approved funding of other Recreation programs from Shoreline Golf Links revenue. In Fiscal Years 2002-03 and 2003-04, the Shoreline Golf Links funded $250,000 annually. For Fiscal Year 2004-05, staff is recommending to increase the Recreation program funding by $200,000 to $450,000.

There is an outstanding loan of $5.1 million from the Community for the original acquisition of the golf course. Staff recommends this loan be eliminated, effectively resulting in the Community funding the asset acquisition, similar to other assets located within the Community.

The operating balance for Fiscal Year 2004-05 is projected at $352,000; however, after the recommended additional $200,00 (total $450,000) transfer for Recreation program support and $71,000 for funding capital projects, the fund is projected with a $169,000 deficit, but is projected to end Fiscal Year 2004-05 with a balance of $1.9 million.

Although there is a projected deficit of $98,000 after taking into consideration Recreation program funding (excluding capital projects which would be funded from the available balance), typically there are budget savings each fiscal year. In addition, revenues in this fund are affected by the local economy, which has begun to show indications of leveling off or small improvements. The projection for number of rounds in Fiscal Year 2004-05 is a 1.0 percent increase from the estimate for the current fiscal year. However, the number of rounds played in the two prior fiscal years (2001-02 and 2002-03) were 2.5 percent and 3.9 percent higher, respectively, than projected for Fiscal Year 2004-05, and the average price per round was $1 to $2 higher. Other golf-related revenue (i.e., range, cart rentals, lessons, etc.) also move up and down in a similar pattern to green fees. With the course improvements made during the past five years and the fee structure recommendations, as the economy recovers, the course will be financially well-positioned.

PJK/BUD
546-05-04-04A^

SHORELINE GOLF LINKS

RECOMMENDED FEE MODIFICATIONS

Name of Fee	Current Fee	Proposed Fee	Fee Basis
Tournament Fees (Tournament groups must also advance an accessory fee charge of $7 per player, which includes $1 per player for tournament services and $6 per player in Pro Shop merchandise, which is selected and obtained by the tournament sponsor.):			
Monday - Thursday Play	$29–$35	$38	Round
Monday - Thursday (Senior Organization)(1)	-0-	$28	Round
Friday Play	$36–$42	$45	Round
Weekend-Holiday Play	$44–$50	$54	Round
Friday Shotgun/Regular Start (+128 Players), Per Player Premium Added	$13	$15	Round
Friday Shotgun/Early Start (+128 Players), Per Player Premium Added	$23	$25	Round
Saturday Shotgun/Regular Start (+128 Players)	$21	$23	Round
Saturday Shotgun/Early Start (+128 Players), Per Player Premium Added	$41	$43	Round
Member Clubs Rates:			
Shoreline Seniors Golf Club	$22	$24	Round
Shoreline Womens Golf Club	$23	$24	Round
Shoreline Golf Club	$41	$44	Round
All-Day Course Closure—Friday Per Player Premium Added, 250 Player Minimum	$48	$50	Fixed
All-Day Course Closure—Saturday Per Player Premium Added, 300 Player Minimum	$56	$60	Fixed

Name of Fee	Current Fee	Proposed Fee	Fee Basis
Green Fees:			
Monday - Thursday, 18 Holes			
Regular Play	$36	$38	Round
Resident Play	$29	$31	Round
Seniors Play (60 and Over)	$26	$28	Round
Resident Seniors Play (60 and Over)	$19	$21	Round
Twilight/Back Nine Play	$23	$25	Fixed
Twilight/Back Nine Resident Play	$16	$18	Fixed
Friday, 18 Holes			
Regular Play	$42	$45	Round
Resident Play	$35	$38	Round
Twilight/Back Nine Play	$25	$28	Fixed
Twilight/Back Nine Resident Play	$18	$21	Fixed
Weekend-Holidays, 18 Holes			
Regular Play	$52	$54	Round
Resident Play	$45	$47	Round
Twilight/Back Nine Play	$26	$28	Fixed
Twilight/Back Nine Resident Play	$19	$21	Fixed
Other Green Fees:			
Super Twilight Play	$15	$17	Round
Junior Play (17 and Under)	$15	$16	Round
Resident Super Twilight Play	$8	$10	Round
Rentals:			
Clubs, Top of the Line	$25	$30	Fixed
Clubs, Pro Line	$17	$20	Fixed
Push/Pull Carts	$4	$6	Fixed

Name of Fee	Current Fee	Proposed Fee	Fee Basis
Frequent Player Programs[2]			
Regular Play—Annual	$2,900	$3,200	Fixed
Weekday, Monday - Thursday, Annual	$1,600	$1,800	Fixed
Weekday, Monday - Thursday, Quarterly	$450	$500	Fixed
Weekday, Seniors, Monday - Thursday, Annual	$1,100	$1,250	Fixed
Weekday, Seniors, Monday - Thursday, Quarterly	$300	$350	Fixed
Practice Range Balls			
Large Bucket, Monday - Friday	$8	$9	Fixed
Large Bucket, Weekend/Holiday[3]	$9	$10	Fixed
Medium Bucket, Monday - Friday	$5	$6	Fixed
Medium Bucket, Weekend/Holiday[3]	$6	$7	Fixed
Small Bucket, Monday - Friday	$2	$3	Fixed
Small Bucket, Weekend/Holiday[3]	$3	$4	Fixed

(1) New fee.
(2) Fee payable in advance; unlimited play within program play dates; no further payment of green fees for the period.
(3) Fees revert to Weekday rate for Weekend/Holiday during winter months when grass is not available.

HMA/5/BUD
530-04-26-04T^

Attachment D

CITY OF MOUNTAIN VIEW
MEMORANDUM

DATE: April 30, 2004

TO: City Council

FROM: Kevin C. Duggan, City Manager

SUBJECT: ORGANIZATIONAL RESTRUCTURING

INTRODUCTION

A legitimate question at any time, but particularly during a time of reduced fiscal resources and service retrenchment, is how does the leadership of an organization examine opportunities for achieving greater organizational efficiency/effectiveness through a variety of techniques, including organization restructuring. The purpose of this memo is to review with the City Council our organizational philosophy in this regard as well as the specific actions taken up to this point to reduce costs while attempting to minimize service impacts.

BACKGROUND AND ANALYSIS

An ongoing review of organizational structure and staffing levels is an important function of any organization that makes achieving improved organizational efficiency and effectiveness a priority. This is particularly true during times of constrained financial resources. Such reviews can be initiated for a number of valid reasons, including achieving greater organizational efficiency, adjusting to changing service/customer needs, responding to changed financial circumstances, adjusting to changing service expectations/demands, turnover of strategic staff, etc. Such evaluations have been undertaken in this organization on a regular basis during my tenure with this organization for a variety of reasons and through a variety of mechanisms.

A significant organizational restructuring occurred in Fiscal Year 1990-91, shortly after my becoming City Manager, to reduce the number of City departments and consolidate like functions for organizational efficiency and service coordination. Major economic downturns in the early 1990s and over the past two years have required reductions that have gone beyond creating greater efficiencies to impacting service levels.

A series of organizational audits have also been undertaken over the past decade, designed to provide an outside perspective of organizational structure, staffing and service levels in a variety of service areas.

Among the results of these reviews/actions are the following:

- The total City workforce of permanent employees (excluding the impact of taking over the operation of the golf course) is lower than it was in Fiscal Year 1990-91 (578 versus 580) while the City is providing additional services and public facilities. General Fund employees have been reduced from 497 to 478 (while General Fund-supported Police and Fire personnel have increased by 20). These numbers do not include the position reductions recommended for the upcoming fiscal year.

- The number of City departments has been reduced from 13 to 11, and the number of department heads reduced from 15 to 12.

- Like functions have been consolidated. One example is that staff assigned to the City Manager's Office was reduced from over 40 to less than 8. The Parks and Open Space and Recreation Departments were merged into one department, and the Utilities Department was merged into the Public Works Department. Just this past fiscal year, the Current and Advance Planning Divisions of the Community Development Department were consolidated, the Emergency Communications Division was transferred to the Police Department for efficiencies, and the Public Works Department has continued to reorganize and consolidate.

- Entire functional areas have been eliminated, including a dedicated public information/community relations division, a graphic arts function and a separate cable television program production crew.

- During the past two fiscal years alone, 50.5 positions have been eliminated.

- The "base budget" recommendation for the upcoming fiscal year includes the elimination of over 9.75 additional positions.

During this same period, services and facilities have been added, including 8 additional parks, the 4 miles of Stevens Creek Trail, expanded code enforcement, a newer and larger Library, an additional fire station/engine company, the paramedic program, additional median landscaping, a landfill maintenance program, a greatly expanded technology base, new youth programs and facilities, a multi-language community outreach program and additional Police staffing.

As reviewed with the Council previously, the top guiding principles for recommending budget reductions have been the following: (1) maintaining essential services; (2) maximizing administrative efficiencies; and (3) minimizing direct impacts to the public. Keeping true to these principles requires a review of all service categories and all types of expenditures. All levels of the City's organizational structure are reviewed in order to determine where reductions can best be absorbed with the least service impact. The bias has been to reduce administrative support to the greatest degree possible prior to "direct service providers" to the public. However, it should be recognized that such reductions often negatively impact the effectiveness of the direct service providers.

The question is sometimes raised of whether or not there has been an appropriate "spread" of position reductions among management, professional and "frontline" personnel. The continuing goal is to achieve the greatest reduction in cost while impacting services the least. We have also attempted to reduce staffing while avoiding layoffs and other negative impacts on employees.

The management and professional positions eliminated from the organization over the past two fiscal years as well as those recommended next fiscal year are the following:

Management Positions:

- Community Relations Manager
- Revenue Manager
- Senior Planner
- Streets and Landfill Manager
- Capital Program Manager
- Forestry and Roadway Landscape Manager
- Fire Protection Engineer
- Senior Administrative Analyst (City Manager's Office—.60)
- Senior Administrative Analyst (Police Department—.40)
- Performing Arts Supervisor (.50)
- Police Lieutenant
- Facilities Maintenance Manager
- Project Manager
- Assistant City Attorney (.33)–unfunded

Professional Positions:

- Associate Planner
- Associate Civil Engineer (2)
- Assistant Golf Course Superintendent
- Streets Supervisor
- Property/Fingerprint Technician
- Librarian I/II (.75)
- Administrative Analyst I/II (Public Works Department)
- Personnel Analyst (.50)
- Executive Assistant (Public Works Department)
- Lead Public Safety Dispatcher Overhire (2)

Additionally, the management position of the Assistant Public Works Director (Public Services Division) has been vacant since last fall and is currently planned to remain so while restructuring proposals are evaluated. The Risk Manager position has been vacant for several months, and alternatives for providing these services are also being evaluated.

While all City positions are evaluated prior to initiating a recruitment process due to the need to further reduce expenses wherever practical, supervisory and management positions are given additional scrutiny to determine if the vacancy provides the possibility for additional organizational restructuring.

What is this Organization's Definition of a "Management Employee"?

The definition of "management" varies widely from organization to organization and from the private to the public sector. In some organizations, "management" denotes an individual whose primary responsibility is the supervision of other employees. While that is certainly the case in some instances in the City of Mountain View, a large proportion of our "managers" have relatively little, and oftentimes no, supervisory responsibility. Over 20 percent of Mountain View employees designated as "management" have no supervisory responsibility whatsoever. For many others, the supervisory component of their jobs is only a small portion of their responsibilities. Many Mountain View employees are designated as managers due to the level of responsibility of their work, separate and apart from whether or not their work has a significant supervisory component. The vast majority of those designated "management" have individual assignments/workloads separate and in addition to any supervisory responsibilities. Of note is that there are also many employees in the organization whose primary role is the supervision of other staff who are not designated as "management."

Employees are also designated "management" if they are determined to be exempt positions under the provisions of the Fair Labor Standards Act (FLSA). That is, they are determined to meet the definitions of the Act that allow them to be exempt from the overtime pay requirements of the Act. Being a supervisor of other staff is only one of the criteria reviewed in determining if employees qualify as "exempt" (and, therefore, in our case, designated "management"). Not all organizations designate all exempt positions as "managers." They may have another category such as "exempt." This can result in Mountain View having a higher number of employees technically designated as "management."

From a compensation perspective, positions are classified and paid based on their requirements, job responsibilities and comparability to similar positions in other cities. Management employees are not paid more simply because they are designated "management." In regard to benefits, there are few differences in employee benefits between managers and nonmanagers. The primary difference is 80 hours a year of management leave. This is viewed as a partial tradeoff for being ineligible for overtime compensation. For many management employees, the 80 hours of additional leave per year is far less than the compensatory time off or overtime pay (both accrued at 1-1/2 time) they would otherwise be eligible for if they were not designated "management."

Strategies for Organizational Expenditure Reduction:

Among the strategies for organizational expenditure reduction are the following:

- Reorganizing to create efficiencies
- Reorganizing to reduce one or more services
- Reorganizing to eliminate one or more services
- Reorganizing to provide service in some other manner (alternative service delivery—outsourcing, joint service delivery, etc.)

All of these techniques need to be evaluated when determining the best way to reduce expenditures. While efficiency is clearly the most desirable way to achieve savings, our current circumstances are likely to require some combination of all the above techniques.

Over the past two to three years, we have been able to focus on creating efficiencies and reducing services (by and large without a great impact on the public). While continuing to pursue those techniques to the greatest extent practical, without a change in financial circumstance, the other techniques will need to be evaluated.

Span of Control and Organizational Layers:

Important topics relating to organizational structure/efficiency are "span of control" and "organizational layers." While there is a wide variation of opinion regarding these topics, and those opinions have evolved over time, there is an increasing trend in favor of increasing "spans of control" and decreasing "organizational layers." In the case of span of control, there is a trend to encourage higher supervisor-to-employee ratios. In regard to organizational layers, the predominant trend is to try to minimize the number of layers in an organization from the "line employee" to the head of the organization.

In evaluating the "span of control" issue, one particular challenge is the wide variance in the specific duties of a supervisor. As noted above, being a supervisor does not mean that the primary work of that employee is supervision. The span of control of each supervisor, therefore, needs to be evaluated in the context of their overall job responsibilities. Therefore, the potential for the elimination of a supervisory position needs to evaluate both the supervisory and nonsupervisory work capacity that will be lost. The validity of generalized "ratios" is greatly compromised by not taking into account the nonsupervisory responsibilities/work of "supervisors."

The department heads and I will continue to keep both concepts (span of control/organizational layers) in mind as we develop further plans for organizational restructuring. A number of organizational changes over the last two fiscal years (as well as proposed for next fiscal year) have modified the span of control of several supervisors/managers. Additionally, we are quantifying the span of control of each supervisor (whether they are designated "management" or not) and reviewing opportunities to broaden those spans. We are also reviewing the number of "layers" in each department for possible modification (short- or long-term). In addition to looking internally, we are "benchmarking" with other cities in regard to overall staffing levels and supervisory ratios/organizational layers.

Organizational Restructuring/Alternative Service Delivery Models—Where Have We Been, Where Are We Now, and Where Do We Go From Here?

As noted above, a significant number of management and nonmanagement positions have been (or are proposed to be) eliminated from the organization. These reductions have resulted in organizational efficiencies as well as service adjustments. A legitimate question is: "How does organizational restructuring fit into a long-term plan?" Additional restructuring efforts, while focused on further efficiency enhancements, will increasingly have service level impacts. The opportunities to reduce staffing (at whatever level of the organization) without noticeable direct service impacts are becoming increasingly scarce.

One of our guiding principles in making reduction recommendations is to make reductions that are reasonably sustainable in the long term. While many of these restructurings are proving challenging to implement, they are viewed as permanent, not temporary measures. Therefore, most departments have permanently modified their organizational structures.

While some additional organizational restructuring opportunities appear potentially promising and will be pursued even if economic conditions improve, the question confronting us is not so much "Where do we want to go?" but "Where (and how far) are we required to go?" That is, having by and large gone beyond efficiency to service reduction, how far we go down a path of further organizational reduction will be more a matter of what we will be required to do versus what we believe is appropriate to do.

It is apparent from not only the base budget recommendations but, in particular, the Contingency Levels 1 and 2 recommendations, that significant service impacts are in the offing if the City's overall financial condition does not improve. The department heads and I are committed to looking for ways, to the greatest extent possible, to maintain the level of services that our citizens and customers have come to expect. To whatever degree organizational restructuring/efficiencies can help in that regard, they will be aggressively pursued. While examining additional service level adjustments, the potential for organizational streamlining continues to be pursued.

Potential Next Steps:

As has been the case, the City Manager's Office and the department heads will continue to seek efficiencies in organizational structure and service delivery. While important and necessary during good economic times, it is even more critical during difficult budget times. A number of the initiatives we have, and will continue to undertake, are noted above.

There will be a dramatic turnover of experienced management and nonmanagement staff over the next five years as we experience the "baby boomer" retirement bubble. While this will create one of the organization's greatest challenges (since it is not anticipated that there will be a sufficient number of experienced and qualified candidates to fill these vacancies), it will create additional flexibility to further restructure the organization. We will continue to evaluate how the organization can be restructured in the context of this upcoming significant transition of staff.

If the Council would like more information on these topics, there are at least a couple of possible alternatives:

- One option is to request that staff report back during the upcoming fiscal year regarding our findings on the topics of span of control, organizational layers, etc., as we continue our review of these topics in the context of short- and long-term organizational restructuring.

- Another alternative that the Council could consider is to direct that an outside review of the overall structure of management/supervisory staffing be conducted during the upcoming fiscal year. An outside contractor could be engaged to look at the issue. Assuming that the review would be a "big picture" review (versus a department-by-department, in-depth review), it is estimated that the cost would be in the range of $25,000 to $50,000).

Kevin C. Duggan
City Manager

KCD/LS/8/BUD
679-04-26-04M-E^

Attachment E

CITY OF MOUNTAIN VIEW
MEMORANDUM

DATE: April 30, 2004

TO: City Council

FROM: Linda Forsberg, Deputy City Manager

SUBJECT: UPDATE: POTENTIAL EMERGENCY COMMUNICATIONS DISPATCH FEE

INTRODUCTION

Included in the Narrative Budget information provided to the City Council on March 30, 2004 was the potential for implementing an emergency communications dispatch fee in conjunction with Contingency Level 1 strategies.

Since the Narrative Budget discussion, Mountain View staff has been coordinating with staffs from other Santa Clara County agencies regarding the other agencies' efforts to implement similar emergency communications dispatch fees in their jurisdictions.

Provided below is an expanded discussion of the potential fee for the City of Mountain View as well as information regarding the status of other Santa Clara County jurisdictions implementing an emergency communications dispatch fee.

ANALYSIS

The City of Mountain View currently provides emergency communications dispatch and response services to any person calling 9-1-1 from within the City limits through its Communications Center. Communications Center staff evaluates each call and dispatches the appropriate type and level of emergency response. In addition, all Communications Center Dispatchers are certified to provide basic rescue breathing, CPR and first aid information to callers.

It currently costs approximately $2 million annually to provide these dispatch services. This figure includes direct operating, maintenance and capital replacement costs. These costs are paid from the City's General Operating Fund.

Traditionally, local governments have used revenues received from property and sales taxes and vehicle license fees to fund many of their basic municipal services, including public safety services. However, in recent years, the increased costs of providing public safety services has outpaced the ability of traditional funding sources to pay for the services. Factors contributing to this funding gap include:

- The passage of Proposition 13, which limits the annual growth of property taxes.

- The passage of subsequent legislation and propositions that have negatively impacted City revenues and its revenue-raising capacity.

- The State's ongoing practice of diverting local government revenues to balance its own budget.

Even in Fiscal Year (FY) 1999-2000, when the highest level of General Operating Fund revenue was received by the City, these traditional tax revenue sources were insufficient to fund all of the City's public safety services, resulting in the need to fund the balance of public safety services costs from General Fund revenues that have been used in the past to fund other nonsafety General Fund services and programs provided by the City.

The overall decline in the General Fund revenue over the past several years and the continuing significant increases in the cost of public safety continue to exacerbate this situation. The City's public safety-related costs exceeded the tax revenues referred to above by $3.0 million in FY 2002-03. This is estimated to grow to $6.6 million in the current fiscal year and to $8.3 million in the upcoming fiscal year.

Consequently, staff identified the potential implementation of an emergency communications dispatch fee to begin recovering a portion of the City's annual cost of providing emergency communications dispatch services.

The emergency communications dispatch fee would be charged on monthly telephone bills to local telephone customers based on the number of telephone lines they use and remitted to the City by the local telephone service providers or local exchange carriers (LECs) serving Mountain View.

Currently, there are five nearby agencies that have implemented emergency communications dispatch fees for the purpose of recovering a portion of their emergency communications center costs.

Agency	Single-Access Line Fee	Trunk-Line Access Fee	Lines Subject to Fee	Percentage of Exempt Lines (estimate)	Population
San Francisco	$1.75	$13.13	780,500	14.9%	791,900
Santa Cruz	$1.47	$11.03	79,000	9.0%	55,600
Santa Cruz County	$3.49	$26.16	30,659	10.0%	134,700
Union City	$3.22	$24.15	60,000	6.0%	70,000
Watsonville	$2.00	$18.00	13,479	38.0%	47,700

Several Santa Clara County jurisdictions are also considering implementing some variation of an emergency communications dispatch fee as a way to recover some of the operating, maintenance and capital replacement costs associated with their emergency communications functions.

- At its April 19, 2004 meeting, the Cupertino City Council considered a proposed $3.00/month emergency communications system response fee for single-access lines and $22.50/month fee for trunk lines. The city council will reconsider the fee issue again at its June 7, 2004 budget hearing.

- The Santa Clara County Board of Supervisors considered a proposal to implement a $2.18/month emergency communications system response fee for single-access lines and a $17.08/month fee for trunk lines at its April 20, 2004 meeting. The proposal was not approved.

- The San Jose City Council will also be considering a proposal to move forward with the implementation of a similar fee during FY 2004-05 at its budget hearing in early May.

- Most other Santa Clara County cities, with the exceptions of Santa Clara, Saratoga, Monte Sereno and Los Altos Hills, are considering the implementation of some form of an emergency communications dispatch fee but are at different stages in their progress to obtain the information and/or agendize a proposed fee for council discussion.

Mountain View City staff is in the process of obtaining information from each of the LECs serving Mountain View to determine the total number of residential and commercial telephone lines they have in service in the City. Once this information is obtained, staff can determine a more specific estimate of how much of the Communications Center operating costs could be offset by an emergency communications dispatch fee.

Based on the residential and commercial population of the City and the information provided to date by LECs, staff estimates there are approximately 58,000 telephone lines in the City that could be assessed the proposed emergency communications dispatch fee. Within this figure are three types of telephone lines—single-access lines, trunk lines (equivalent to approximately 7.5 single-access lines) and super-trunk lines (equivalent to approximately 17 trunk lines or 127 single-access lines).

The actual amount of the fee charged for single-access, trunk and super-trunk lines would need to be determined based on the desired level of cost recovery as well as the impact such a fee would have on Mountain View residential and commercial telephone customers. As demonstrated in the chart above, agencies that have already implemented this fee have taken different approaches to the cost recovery issue as reflected in the different monthly fee amounts charged.

Based on a hypothetical and simplified charge of $0.95/month for each single-access line and $7.13/month for each trunk line for Mountain View telephone customers, the City could generate an additional $500,000 to $658,000 in revenue annually that would be designated for emergency communications system expenditures. These revenues would cover approximately 25 percent to 33 percent of the annual operating, maintenance and capital replacement costs associated with the City's emergency communications system.

Additional staff work is still required to develop more refined monthly charge proposals for trunk and super-trunk lines and how to include wireless subscribers in the fee and fee calculation.

Staff further recommends that certain customer groups be able to seek exemptions from the new fee. These groups would include Lifeline Service customers (low-income and seniors), tax-exempt private and public schools, government agencies and possibly others. These exemptions would be consistent with those of other agencies with an emergency communications dispatch fee in place.

Staff has been informed that there is approximately a four-month lead period required for the telephone companies to begin charging and collecting the new fee and that some companies may assess an administrative fee for this service.

CONCLUSION

Staff will continue to monitor and evaluate what role an emergency communications dispatch fee could play in supporting the City's public safety operations.

Linda Forsberg
Deputy City Manager

LF/6/BUD
601-04-28-04A^

CITY CLERK'S OFFICE
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Elections	Percent of official election notices published without errors	100%	None this Quarter	None this Quarter	None this Quarter
	Percent of Statement of Economic Interests processed correctly and submitted on time	100%	None this Quarter	None this Quarter	None this Quarter
Legislative	Percent of agenda packets prepared and distributed four days before Council meeting	100%	100%	100%	100%
	Percent of agendas and minutes posted at least 72 hours prior to a regular Council meeting	100%	100%	100%	100%
	Percent of minutes prepared for City Council meeting without errors of fact	100%	88% (A)	94%	96%
	Percent of resolutions and ordinances processed within five days after a Council meeting is held	>90%	100%	100%	100%
	Percent of Council agenda staff reports processed within five days after a Council meeting is held	>90%	100%	100%	100%
	Percent of legal hearing notices prepared, noticed and mailed within legal deadlines	100%	100%	100%	100%
Records Management	Percent of boxes of records deemed eligible for destruction which are destroyed	>90%	Reported Annually	Reported Annually	Reported Annually
	Percent of agenda items uploaded to imaging system each agenda production week	100%	100%	100%	100%

Attachment F

CITY CLERK'S OFFICE
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Records Management (cont.)	Number of agreements documented and indexed	220	200 (B)	280 (B)	580 (B)
	Percent of agreements/contracts retrieved within three days of request	100%	100%	100%	100%
	Percent of records sent for recordation within 24 hours upon receipt of request from department	>90%	100%	100%	100%
Administrative/ Support to Council	Percent of Council service requests responded to within one hour	>95%	100%	100%	98%

(A) One set of minutes out of eight was amended at a City Council Meeting during the first quarter.
(B) There was an unusually high number of agreements in the first and third quarters.

CITY ATTORNEY'S OFFICE
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
City Attorney's Office	Total cost of legal services, in-house and outside counsel, as a percent of General Fund budget	<2%	0.37%	0.72%	1.16%
	Total cost of project-related legal services or specialty services (i.e., Revitalization) as a percent of individual budget	<0.5%	0.08%	2.78% (A)	5.65% (A)
	Percent of claims entered into the claim reporting system, reported to ACCEL and directed to appropriate departments for response within 5 working days of receipt of the claim	>90%	100%	100%	100%
	Percent of routine contracts reviewed within 10 working days	>85%	99%	99%	99%
	Percent of complex contracts reviewed within 20 working days	>80%	95%	97.5%	98%
	Percent of CC&Rs reviewed within 30 working days	>80%	85%	85%	85%
	Percent of code enforcement cases responded to within 5 working days of receipt of complaint or observation of violation	>95%	98%	98%	99%

(A) Two large projects started in the second quarter (Clear Channel litigation and Graham Reservoir) that are taking considerable staff time.

CITY MANAGER'S OFFICE
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
City Manager's Office	Percent of time an action or decision (on a New Business item prepared by the City Manager's Office) can be made or taken when an item is first brought to Council	>95%	83% (A)	87.5% (A)	89% (A)
	Percentage of City Manager's Office cost as a percent of the General Fund operating budget	<2%	0.35%	0.70%	1.07%
	Percent of written inquiries received by the City Manager's Office via Citygram that are responded to within 10 days	>95%	100%	100%	100%
	Number of communications regarding the City's position on legislation or legislative issues made annually to the State Legislature, Congress and other branches of government	15	2 (B)	5 (B)	9 (B)
	Percent of Community Outreach Program information requests that are responded to within 10 days	>95%	95%	95%	95%
	Percent of time an action or a decision can be made on an agenda item by the Human Relations Commission and subcommittees	>95%	100%	100%	100%
	Number of community group and nonprofit organization meetings attended by City Manager's Office staff	40	22 (C)	38 (C)	61 (C)

CITY MANAGER'S OFFICE
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
City Manager's Office (con't.)	Percent of time comments submitted within public comment period on environmental reports, regulations, legislation or report reviewed by City Manager's Office (necessity of commenting determined on a case-by-case basis)	100%	100%	100%	100%

(A) Eight out of nine items during the first three quarters were acted upon at their first presentation. The September 2, 2003 Council discussion regarding the Patriot Act was continued to the September 16, 2003 meeting to allow the Council to complete its deliberations and determine a position on the Act. Action was taken on September 16, 2003.

(B) Increased legislative action is expected during the remainder of the fiscal year. Includes letters sent to the Governor and selected State Legislators regarding Vehicle Licence Fees and the impact of State budget actions on local governments.

(C) Target reduced in Fiscal Year 2003-04 because of staffing reductions in the City Manager's Office. Target will be re-evaluated prior to the end of the fiscal year.

EMPLOYEE SERVICES DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Employee Services Department	Average number of working days to complete competitive recruiting and exam process from date of job posting of position	<80	34	37	35
	Percent of newly hired employees completing probationary period	>95%	78% (A)	74% (A)	81% (A)
	Employee turnover rate	<10%	1%	1.7%	3.2%
	Percent of classification reviews analyzed within 90 days of request	>85%	100% (B)	100% (B)	100%
	Cost per job placement	<$3,500	$4,468 (C)	$4,850 (C)	$3,110 (C)
	Percent of recruitments/vacant positions filled by existing personnel (excludes promoting within positions classified as I/II)	>30%	38%	50%	55% (D)
	Percent of new employee orientations conducted within 7 days of hire	>98%	100%	100%	100%

(A) Eleven employees were released from probation (two public safety employees and nine non-public safety employees).

(B) Two requests received during first quarter; one completed within 90 days, the other was pending within the 90 day time period. The second request was completed during the second quarter.

(C) Due to hiring freeze, only four employees were hired in the first quarter and eight employees in the second quarter. Fourteen employees were hired in the third quarter. Generally there are 15 to 20 hires during a three-month period.

(D) Higher percentage reflected as a result of an increase in closed promotional recruitments conducted during this quarter.

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Financial Management	Accuracy of final budget numbers - percent of budget corrections needed due to error	<2%	0.9%	0.9%	0.9%
	Percent of time portfolio's market risk target (modified duration) is within:				
	• 3.0 percent of the benchmark (policy requires 25 percent of time within 3.0 percent)	>50%	100%	83.4%	77.8%
	• 15.0 percent of the benchmark (policy requires 100 percent of time within 15.0 percent)	100%	100%	100%	100%
	Cost per payroll check issued (cost of payroll operation to total paychecks issued)	<$11.00	$6.97	$7.58	$8.03
	Percent of reissued payroll checks versus total issued	<2%	0.26% (A)	0.21% (A)	0.21%
	Payroll checks issued	20,000	5,910	10,596	15,977
	Percent of utility bills processed and mailed seven days from last meter reading date	>95%	100%	100%	100%
	Percent of utility accounts and accounts receivable accounts written off as a percent of total receivables	<3%	None this quarter	None this quarter	None this quarter
Accounting	Percent of correcting accounting entries to total accounting entries	<20%	14%	11%	10%
	Percent of month-end closes completed within 10 working days (target assumes June and July will not close within 10 working days due to year-end workload)	>83%	100%	100%	100%

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Accounting (con't)	Cost of Accounts Payable processing as a percent of total dollars spent	<1%	0.23%	0.24%	0.24%
Administrative Services	Cost of procurement services as a percent of total dollars spent	<4%	1.7%	2.1%	2.9%
	Percent of time purchase orders issued timely	>75%	94%	94%	94%
	Cost of information services as a percent of total City department expenditures	<3%	2.0%	1.6%	1.6%
	Percent of time network is up	>98%	99%	99%	99%
	Percent of time Document Processing documents are completed timely	>90%	100%	99%	99%
	Percent of time Copy Center documents are completed timely	>90%	96%	97%	97%
Risk Management	Percent of Workers' Compensation program costs to total payroll	<5%	4.45%	3.56%	3.44%
	Percent of hours lost to occupational injury compared to total hours worked	<1.5%	0.43% (B)	0.38%	0.30%
	Percent of dollars recovered compared to expenditures paid to repair damage due to third-party vehicle accidents	100%	100%	100%	100%

(A) Restated 3-month and 6-month Actuals from 0.02% to correct reporting error.
(B) Restated 3-month Actual from 0.03% to correct calculation error.

COMMUNITY DEVELOPMENT DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Advance Planning	Percent of time that staff analysis and recommendation on General Plan or rezoning applications are completed within the schedule established (when the application is complete)	>80%	100%	100%	100%
	Number of public policy issues (Agenda and Major Research items) researched for Planning Commission and Council meetings	15	6 (A)	12 (A)	13 (A)
Economic Development	Percent of time corporate visits goal of 12 visits per year is met	>80%	Reported Annually	Reported Annually	Reported Annually
	Percent of businesses that generate major sales tax to the City per year visited by staff	>50%	Reported Annually	Reported Annually	Reported Annually
	Number of businesses interested in relocating or expanding in Mountain View that Economic Development staff meets with	50	10	22	30
Current Planning	Land use applications processed by:		(B)	(B)	(B)
	• City Council	5	6	9	12
	• Zoning Administrator	35	18	30	48
	• Development Review Committee	85	45	78	96
	• Over the counter	100	23	55	83
Neighborhood Preservation	Percent of mediation participants rating customer satisfaction level as "good" or higher	>80%	No Rating Sheets Received	100%	88%
	Percent of identified neighborhood areas included in neighborhood meetings sponsored by the Council Neighborhoods Committee	50%	Reported Annually	Reported Annually	Reported Annually

COMMUNITY DEVELOPMENT DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Neighborhood Preservation (cont.)	Percent of Federally funded contracts carried out in compliance with City and Federal requirements	100%	100%	100%	100%
	Number of mediation requests handled	210	49	112	175
Building Inspection	Percent of time where City provides 24-hour building inspection response for those inspection requests received by 3 p.m. on weekdays	>95%	95%	95%	95%
	Percent of time that City meets five-day turnaround plan check for all Fast Track submittals that meet building inspection criteria	>90%	90%	90%	90%
	Construction permits issued	4,000	995	2,166	3,165

(A) Although staffing has been reduced (and therefore the target was reduced), the number of projects has not decreased as much as anticipated.

(B) The targets were based on prior year actuals with a slower economy, however permit activity continues to remain high.

PUBLIC WORKS DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Administration	Number of injuries and illnesses	<15	3	5	7
	Number of medical-only cases	<9	3	5	5
	Number of cases where individuals lost more than 3 days of work (indemnity cases)	<6	0	0	2
	Percent of graffiti removed within 3 days of report	>90%	94%	95%	95%
	Removal of graffiti on public right-of-way (number of assignments)	300	102 (A)	212 (A)	282 (A)
Business Services	Percent of contracts and agreements sent to contractors/consultants four working days from the date of Council approval or date "final" agreement was prepared	>95%	100%	100%	100%
	Average cost of recycling per ton of material versus cost to dispose	<150%	109%	104%	112%
	Percent of refuse diverted from landfill	>50%	50%	51%	51%
	Percent of solid waste complaints/requests resolved to complainant's/customer's satisfaction	>95%	100%	99%	98%
Transportation and Policy	Percent of inquiries for the sale, lease, temporary use or purchase of City-owned land responded to within 24 hours	>95%	100%	100%	100%
	Within 2 weeks elapsed time, return the land value of parcels submitted to the Land Development Engineer for development permits to enable the calculation of park land dedication fees	>90%	100%	100%	100%

PUBLIC WORKS DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Engineering	Percent of construction projects completed with less than 10.0% time increase over the original contract award	>75%	60% (B)	73% (B)	77%
	Percent of contruction projects accepted where the final cost is within 10.0% of the original contract cost (including contingencies)	>85%	100%	100%	100%
	Percent of completed construction projects for which inspection cost is not greater than 15.0% of the project's construction costs	>85%	100%	100%	100%
	Percent of time all tentative maps and private development applications are reviewed within the departmental standard review time	>85%	100%	93%	89%
	Percent of all traffic signal complaints investigated within 24 hours of their receipt	>90%	100%	95%	97%
	Percent of citizen traffic concerns processed through the Neighborhood Traffic Management Program (NTMP) within 16 weeks from the time an inquiry is received	>90%	100%	100%	100%
Streets and Utilities Maintenance	Percent response time standards met for various utility customer service requests	>90%	90%	90%	90%
	Number of water quality complaints (taste, odor, colored water, low pressure)	<110	17	92 (C)	148 (C)
	Number of water main breaks	<6	3 (D)	3	3
	Number of sewer main blockages	<40	8	14	21

PUBLIC WORKS DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Streets and Utilities Maintenance (con't)	Percent of sweeping routes completed on schedule	>85%	90%	87%	89%
	Pavement condition index for asphalt (Metropolitan Transportation Commission rating scale of 0-100, 70 - 100 being very good)	>75	77	77	77
	Number of sidewalk complaints received	<50	16	41 (E)	80 (E)
Engineering & Environmental Compliance	Number of written emergency reports and notifications to regulatory agencies	0	0	0	0
	Percent of regulatory repairs submitted on time	100%	100%	100%	100%
Facilities	Percent of hours spent on unscheduled work	<15%	12%	13.5%	27% (F)
	Percent of work orders classified as emergency or urgent repairs	<10%	5%	5%	3.2%
	Percent of completed work orders requiring corrective action	<0.5%	0.5%	1% (G)	0.3%
Fleet Services	Percent of preventive maintenance completed on schedule	>95%	95%	90% (H)	85% (I)
	Percent of time frontline fleet units are available (Public Services and Community Services field vehicles)	>95%	90% (J)	93% (H)	80% (I)
	Percent of time frontline fleet units are available (Police and Fire emergency units)	>95%	90% (J)	92% (H)	80% (I)
	Number of road calls/emergency repair requests	<80	23	33	73

PUBLIC WORKS DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual

(A) The number of graffiti incidents is cyclical with more during the summer months. We have experienced a spate of stickers placed on public right of ways during the second quarter that have been included with the graffiti totals.

(B) Two out of five completed projects in the first quarter did not meet this target. On one project, the contractor was going bankrupt, causing delays. The other project was delayed because PG&E completed their underground work 14 months late. A total three out of eleven completed projects in the second quarter did not meet this target. The third project was Wild Cherry Lane which went five days over the 30 day contract.

(C) Maintenance was performed to the Hetch-Hetchy water system and flow was supplemented with well water. Quality complaints were mostly due to turbidity of the water and an algae bloom that occurred in the San Francisco water source.

(D) Time and resource constraints have put the division behind in the water main replacement schedule.

(E) The streets section averages between 800-1300 unscheduled "trip and fall" sidewalk repairs each year. Most are handled before a complaint is received. Holiday, sick and vacation time reduced staff time to respond to sidewalk issues before a complaint is received.

(F) Staffing levels are not sufficient to provide routine maintenance.

(G) During the second quarter there was a malfunction with the automatic doors at the Police/Fire building and Community Center. There was also a flux of hot/cold temperature calls during the second quarter.

(H) Holiday, sick, vacation and furlough reduced available staff time. A number of routine preventative maintenances were deferred until after the holidays. Utilization of most of the fleet was very low during this period, so deferral had no impact.

(I) High workload for repairs due to aging fleet and damage to vehicles caused deferred some preventative maintenance services and reduced fleet availability.

(J) Accident damage and out of service vehicles reduced percentage of fleet available.

COMMUNITY SERVICES DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Performing Arts	Percentage of users (licensee) who rate the Center's services as "high quality"	>80%	Reported Annually	Reported Annually	Reported Annually
	Percentage of all patron surveys received indicating that the respondent enjoyed their time at the Center	>80%	Reported Annually	Reported Annually	Reported Annually
	Number of performances	380	81	172	261
	Number of volunteer hours	10,500	2,426	5,301	8,236
	Number of seats sold (including TheatreWorks performances of Lucy Stern facility events) (A)	140,000	36,639	63,435	107,977
	Number of tickets given to Mountain View nonprofits by Center licensees as a result of Center outreach program	400	268	409 (B)	641 (B)
Shoreline	Percentage of annual regulatory permits and reports completed on time	100%	No reports due this quarter	No reports due this quarter	100%
	Percentage of trail and park users rating satisfaction above average (maintenance of trails, safety, etc.)	>90%	Reported Annually	100%	100%
	Volunteer time staffing equivalent	3.0 FTE	0.5 FTE	1.0 FTE	1.5 FTE
Shoreline Golf Links	Percentage of revenues generated versus operating costs	>100%	145%	132%	127%
	Number of golf rounds played	75,000	22,670	37,641	51,181
Forestry and Roadway Landscape	Percent of trees serviced versus scheduled as part of cyclic pruning program	>75%	80%	80%	81%
	Average cost of trimming per tree (based on industry standards)	$128	Reported Annually	Reported Annually	Reported Annually

COMMUNITY SERVICES DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
	Percent of trees planted in the prior year receiving maintenance	>95%	98%	98%	98%
Forestry and Roadway Landscape (con't)	Percent of roadway median islands serviced per program service standards (based on NRPA standards)	>95%	87% (C)	88% (C)	88% (C)
	Percent of inquiries responded to within 24 hours	>95%	97%	97%	97%
	Number of trees planted annually	250	2 (D)	6 (D)	6 (D)
	Number of trees trimmed or serviced annually	3,600	676 (E)	1,176 (E)	2,645
	Acres maintained - roadway medians	119.5	119.5	119.5	119.5
Parks	Percent of playground equipment in compliance with California SB 2733 and the Americans with Disabilities Act Accessibility Guidelines (ADAAG)	>45%	39% (F)	39% (F)	41% (F)
	Percent of inspections completed biannually of all City-maintained park play equipment	100%	Reported in 2nd & 4th Qtrs	100%	Reported in 2nd & 4th Qtrs
	Percent of park construction and irrigation work orders completed in compliance with National Recreation and Park Association (NRPA) Mode II maintenance standards (high level maintenance)	>90%	99%	99%	98%
	Percent of park turf acres maintained in compliance with NRPA Mode II maintenance standards (high level maintenance)	100%	97% (G)	98.5% (H)	96% (H)
	Acres maintained - regional parks/public facilities (includes all portions of Shoreline Regional Park, Charleston Slough, Vista Slope and the Crittenden site)	772	772	772	772

COMMUNITY SERVICES DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
	Acres maintained - urban parks/public facilities	183.81	183.81	183.81	191.3 (I)

COMMUNITY SERVICES DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Recreation	Percent of classes cancelled due to lack of registrants compared to the number of classes offered	<10%	4.5%	5.4%	5.7%
	Percent of class refunds requested due to dissatisfaction compared to the number of individuals participating in classes	<1%	0.44%	0.41%	0.37%
	Percent of adult sports teams registered compared to number of openings	>98%	86% (J)	92% (J)	93% (J)
	Percent of partial or full fee waiver registrations compared to total registrations	10%	25% (K)	24% (K)	25.7% (K)
	Average number of students participating in after-school programs (per day)	192	227 (L)	233 (M)	206
	Number of classes/students participating in Deer Hollow Farm school year field trips	150/ 3,400	7/200 (N)	72/1,588	146/ 3,134
	Percent of teacher evaluations rating Deer Hollow Farm school year field trips good or excellent	>99%	100%	100%	100%
	Percent of parents rating swim lessons good or excellent	>90%	96%	Reported 1st & 4th quarters	Reported 1st & 4th quarters
	Percent of lap swim participants rating the program good or excellent	>95%	98%	Reported 1st & 4th quarters	Reported 1st & 4th quarters
	Number of Teen Center memberships	90	296 (O)	393 (O)	431 (O)
	Percent of weekend BBQ reservations (May to October) compared to space available				
	• Group	>90%	95%	82% (P)	82% (P)
	• Family	>75%	60% (Q)	49% (P)	49% (P)

COMMUNITY SERVICES DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Recreation (con't)	Volunteer time staffing equivalent (City-Wide)	18 FTE	4.6 FTE	7.8 FTE	11 FTE
	Percent of time the athletic fields are reserved as compared to peak availability (R)	>90%	93%	89%	81% (S)
	Number of approved general use permits and estimated people served	60 / 7,000	17/ 3,410 (T)	20/4,010 (U)	25/4,315 (U)

(A) The Center's box office is the only box office where tickets for TheatreWorks' Lucie Stern performances can be purchased.
(B) Donations exceed target due to licensees offering more tickets.
(C) Crew is assisting downtown due to loss of seasonal workers. This extends median trim cycles.
(D) New trees generally planted in the spring.
(E) Trees not serviced evenly throughout the year. Fewer trees serviced during the first and second quarters.
(F) Playgrounds at Rex Manor and San Veron are currently under construction. Starting in the third quarter, Shoreline Park play area is included.
(G) High level of maintenance standard is not being met due to fiscal reductions to the division.
(H) Mowing frequency exceeded standard (109%) in second quarter due to better weather conditions and decreased in the third quarter due to rainy weather conditions.
(I) Graham Athletic Field added.
(J) Competitive men's only softball leagues continue to have low enrollments resulting in cancellation of one of two leagues. Alternative league options are being explored to run in place of the cancelled league.
(K) Fee waiver use has increased significantly due to program changes that now allow School District Free/Reduced lunch program participants to automatically qualify for recreation fee waivers. Target will be re-evaluated for Fiscal Year 2004-05.
(L) First quarter actual corrected from 100.
(M) Average attendance is high, but is expected to drop over the next 6 months, making the average closer to target.
(N) School year field trips did not begin until late September.
(O) Every TweenTime afterschool participant has been enrolled as a Teen Center member. Target will be re-evaluated for Fiscal Year 2004-05.
(P) Fewer BBQ reservations are made in the second quarter due to the unpredictable nature of fall weather. No activity in third quarter.
(Q) Target may be set too high. Not able to rent all the tables at Rengstorff Park as there are other tables available at the park for free. Target will be re-evaluated for Fiscal Year 2004-05.
(R) Peak availability is 5:00 p.m. through one half-hour after sunset or 10:00 p.m. (for lighted facilities) on Monday through Friday and 8:00 a.m. to 5:00 p.m. on Saturday and Sunday.
(S) Fields are closed January and February for turf recovery.
(T) Number of people served is high due to an AYSO event that attracted 1,500.
(U) More use permits are issued in the warm weather months. Totals are anticipated to rise by year end.

LIBRARY SERVICES DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Public Services	Number of visitors and Library customers	750,000	173,737	324,791 (A)	484,768 (B)
	Number of items circulated per capita	14	4.17	8.05	12.19
	Number of items circulated per registered borrower	12	3.75	7.04	10.37
	Percent of circulation that is customer self-check	>40%	20.44% (C)	28.24% (C)	38.1%
	Percent of customers satisfied with the availability of title/subject fill (survey)	>80%	Survey done 2nd Quarter	82%	Survey done 4th Quarter
	Percent of customers satisfied with the availability of items in browsing fill (survey)	>95%	Survey done 2nd Quarter	86% (D)	Survey done 4th Quarter
	Percent of customers satisfied with the accessibility, friendliness and helpfullness of Library staff (survey)	>90%	Survey done 2nd Quarter	92%	Survey done 4th Quarter
	Percent of customers satisfied with the facility; the ease of use and accessibility of equipment (survey)	>90%	Survey done 2nd Quarter	88% (E)	Survey done 4th Quarter
	Percent of operating budget designated to material expenditures	>10%	9.6% (F)	9.6% (F)	9.6% (F)
	Number of children participating in children's programs	25,000	9,856 (G)	16,673	20,977
	Number of in-Library use of books and magazines	300,000	56,880 (H)	109,992 (H)	164,976 (H)
	Turnover rate:				
	• Juvenile collection	4	0.92	1.97	2.86
	• Media collection	15	3.64	7.15	11.03
	• Total collection	3	0.96	1.91	2.9

LIBRARY SERVICES DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Support Services	Percent of new items that are available for public use within 3 weeks of receipt	>80%	Measured in 2nd Quarter	83%	Measured in 4th Quarter

(A) Number of visitors lower due to Library being closed 3 days between Christmas and New Years.
(B) During the third quarter, the gate counter was turned off for several weekends so count is incomplete.
(C) Volume down as all three self-check units were not installed until February 2004.
(D) Target will be re-evaluated for Fiscal Year 2004-05.
(E) Small survey sample may have skewed results.
(F) Target will most likely not be met as Adopted Budget only allocates 9.2% of operating budget to materials. Target will be re-evaluated for Fiscal Year 2004-05.
(G) More children's programs are offered during the summer so first quarter actuals are higher.
(H) Target based on old survey information which is no longer accurate. Will adjust target to 225,000 for next fiscal year.

FIRE DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Suppression	Percent of emergency calls (Fire, Paramedic, Hazardous Materials, etc.) that Fire Department units arrive on scene within 6 minutes of notification	>85%	90%	90%	90%
	Fire calls per 1,000 population	1.7	0.36 (A)	0.99	1.32
	Emergency medical responses per 1,000 population	38	9.2	19.2	29.3
Fire and Environmental Protection	Percent of plans checked within five working days of receipt by division	100%	96% (B)	98%	99%
	Number of inspections conducted by Environmental Safety Section	1,500	639 (C)	1,193 (C)	1,597 (C)
	Percent of total apartment and hotel complex inventory proactively inspected annually	>20%	6%	10.3%	16%
	Percent of total R1 inventory inspected annually	100%	27%	53.9%	75%

(A) Fire and EMS calls trending lower. Call volume usually rises the second quarter of the fiscal year.
(B) One plan check in 25 did not meet the goal of 5 days.
(C) More inspections completed during first half of fiscal year.

POLICE DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Administration	Percent of citizen complaints resolved and notification made to complaining party within 60 days	>90%	100%	100%	96%
	Percent reduction in false alarm responses through use of community education, false alarm warnings and billing of frequent violators	>5%	21%	21%	23%
Field Operations	Percent of calls for service workload handled by Community Services Officer (CSO) staff	>16%	18%	19%	17%
	Incident reports processed (total calls for service)	60,000	12,695	31,937	47,203
	Part I crimes reported (murder, rape, robbery, aggravated assault, burglary, larceny - theft, auto theft)	3,000	650	1,293	1,972
	Part II crimes reported (all other crimes)	3,750	861	1,830	2,689
	Traffic collisions reported:				
	• Injury/Fatality	200	65 (A)	141	201
	• Property damage only	900	149	273	412
	Adult arrests	3,200	715	1,471	2,197
	Juvenile arrests	400	56	121	193
	Moving violations issued	5,000	2,536	5,074 (B)	7,398 (B)
Support Operations	Percent of total reported Part I crimes cleared by arrest or exception	>25%	32%	33%	34%
	Percent of Police Officer background investigations completed (conditional offer made) within 45 days of assignment	>80%	100%	100%	91%

POLICE DEPARTMENT
PERFORMANCE MEASURES/WORKLOAD MEASURES

Program	Performance Measure/ Workload Measure	2003-04 Target	2003-04 3-month Actual	2003-04 6-month Actual	2003-04 9-month Actual
Support Operations (con't)	Percent of police reports, field identification cards and citations entered in records databases prior to the 5th day of the following month	>90%	89%	72% (C)	80%
Emergency Communications	Percent of incoming 9-1-1 emergency lines that are answered within 9 seconds of receipt	>95%	98.5%	99.3%	99.2%
	Police dispatched calls for service	86,000	18,614	39,939	59,256
	Fire dispatched calls for service	5,500	1,182	2,488	3,701
	Total MOC calls handled	1,200	266	512	732
	Calls processed per dispatcher	11,538	2,962	5,864	7,128
	Percent of emergency medical dispatch calls where Emergency Medical Dispatch services were provided to the public	>85%	91.5%	91%	90%
	Percent compliance to protocol on Emergency Medical Dispatch calls	>90%	94.9%	95.4%	95.4%

(A) Restated from 0 to 65 as totals were not calculated until after the reporting due date.
(B) Increase in numbers of traffic citations due to additional enforcement in areas of Seat Belt, DUI, and other traffic areas funded by State of California Office of Traffic Safety Grants.
(C) Percentage is low due to unit's shift cross training in miscellaneous areas including warrants and lead responsibilities as the division is expecting a reduction of 3 personnel.